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Cleaning up the post-election mess.

EASTERN ECONOMIST

DECEMBER 1, 1967

Wanted: A Foreign Policy ... 979
A Pair of Humpty-Dumpties ... 982
An American Diary I: A President—And His People—The Editor ... 984
The Glamour of Gromor—R. C. Ummat 985
Indian Economy at Cross Roads—Manubhai Shah 987
That Unnecessary Devaluation—Paul Einzig 990
What Is Wrong with Wage Boards?—A Special Correspondent ... 991
WINDOW ON THE WORLD ... 993
Price Information Agreements An OECD Survey. Extravagance Caused Devaluation of the £. Austrian Deficit Budget Causes Gloom.
THE MOVING FINGER WRITES ... 999
TRADE WINDS 1001
Morarji Desai's Visits Abroad; Devaluation of Pound; Export Duties in Ceylon Raised; India and West Germany; Utilisation of External Finance; Import of Nylon Yarn; Partial Control of Sugar; Petrol Retail Outlets; Increased Contribution to ESIC; Hindustan Insecticides; IMF Credit for Burma; Central Government Working Hours.
COMPANY AFFAIRS ... 1006
Jay Shree Tea; Brooke Bond; ICICI; Martin Burn; Chemicals and Fibres; J. K. Synthetics; West Coast Paper; Indequip Engineering; ACC; Tractors (India); Tube Investments of India; Kaycee Industries; Capital and Bonus Issues; Licences and Letters of Intent.
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Wanted: A Foreign Policy

IN 1917 the world might have been justified in regarding the October Revolution as a post-war disturbance which had an equal chance of being consequential for the future of mankind or not. Today, after 50 years of seeking and striving, the political, economic and social system which that Revolution led to, as much by chance as by design, has to be accepted as a seminal institution in the affairs of the human race. The principles and practices of the Union of Soviet Socialist Republics will no doubt continue to be controversial for the simple reason that man's instinct is to debate and dissent, but if the world community is at all interested in its own survival—which can only be through the peaceful co-existence of nations pursuing their respective chosen ideals through civilised communication with one another—it can certainly not afford to withhold its admiration, respect and sympathy from the Soviet people, who, through years of travail and toil, have emerged as a distinctive force in the working out of the human destiny. The celebration of the Fiftieth Anniversary of the October Revolution in the USSR is therefore a fit and proper occasion for the peoples and governments of the world, whatever their respective ideological persuasions or political complexions may be, to express their goodwill for a great country whose future, even more than its past, is bound to be of very considerable consequence to life on this planet.

In the circumstances the participation of our Prime Minister in the celebrations in Moscow last month was entirely correct and proper. At the same time, there has been criticism of her action in our country and this has certain implications which deserve to be studied. We may ignore of course the cold warriors who are apt to be outraged by the thought that Mrs Gandhi should have associated our country and its government with the observance of a Soviet anniversary. This tribe has alienated itself both from the realities of our time and the sympathies of responsible people in all parts of the world. But we ought to try to appreciate the point of view of other critics who are genuinely worried that our government's responses and reactions in the area of its relations with other countries seem to be unduly swayed by the preferences and prejudices, or, even the whims and fancies of whatever individual happens to be in power for the moment and that they are consequently not being determined by the healthy discipline of the nation's enlightened self-interest. Thus, it has been pointed out with some justice that, while Mrs Gandhi's presence at the Red Square was an appropriate expression of the friendship of the Indian people for the people of the USSR, her fulsome praise of a violent communist upheaval and all its works violates our own democratic faith, gives a false picture of where our national sympathies lie in the grand global debate on the issue of the totalitarian state *versus* the liberty of the individual and otherwise hurts our country's interests.

It is a pity that the Prime Minister and the government she heads have placed themselves in a position where they are unable to deal satisfactorily with this legitimate protest. As a matter of fact, so vulnerable did she feel when the propriety of her journey to Moscow was called into question in Lok Sabha that she thought it necessary to explain away her conduct by pathetically pleading a personal message from Mr Kosygin. The result was that much of the grace of her goodwill gesture to the people of the Soviet Union was lost and our own country was the poorer for an episode which, had things been otherwise, would have made it richer in the esteem of a friendly nation. The trouble here clearly is that the government lacks a clear framework of reference in the form of a foreign policy formulated in the strict terms of the nation's enlightened self-interest. As a result individual decisions are impulsively taken and when challenged, timidly retreated from or glossed over.

We wish Mrs Gandhi had summoned the courage to say that she went to Moscow because it was the right thing to do, instead of trying to make out that she was doing Mr Kosygin a favour which she did not have the heart to refuse. We wish also that she had gone further and said that there was enough justification in the prevailing relations of friendly co-operation between the Soviet people and ourselves for our government not choosing to sit in judgment over Soviet history and, instead, join the Soviet people in their day of national rejoicing so that the bonds of mutual benefit which exist between the two countries might be strengthened. The Prime Minister, unfortunately, was not in a position to take this stand for the obvious reason that, in her own thinking, her Moscow visit was not defined as an act of foreign policy related to the national interest but was wrapped up in slushy sentimentality about proletarian revolutions drawn perhaps from her recollection of her father's story-telling about world history.

In much the same manner, Mrs Gandhi has messed up the affair of her Mangla dam message. She had no business to send this message except as a deliberate act of foreign policy, i.e., as an initiative designed to seek an opening for negotiations with Pakistan to settle the Kashmir issue. President Ayub Khan, quick to read the implication and capitalise on it, promptly invited the Government of India to send its Minister for Irrigation and Power to attend the inauguration of the dam. But a startled Mrs Gandhi, unnerved by the predictable domestic storm her greetings to Pakistan had provoked, had no thought but to save her political skin by a lengthy and fatuous explanation defending her message on the ground that the completion of the dam had brought an economic advantage to our country—as though it was not open to our government to enjoy, without seeming to acquiesce in Pakistan consolidating itself on disputed territory, the incidental benefit of the construction of the Mangla dam by Pakistan in its own interest. Here, again, the Prime Minister was caught on the wrong foot because her Mangla dam message was not related to any clearly defined foreign policy formulated in terms of the nation's enlightened self-interest.

Our meddling in recent West Asian developments is another clear example of the risks and dangers of our government persisting in conducting its external relations without benefit of a foreign policy rooted in our national interests. On the occasion of the Anglo-French attack on Egypt, following the nationalization of the Suez Canal, it was clearly in our national interests to befriend and support Arab nationalism for the simple reason that Arab nationalism was the rising power in West Asia where the days of western colonialism were clearly numbered. The policy which the late Jawaharlal followed then was therefore unimpeachable in its essentials. His daughter should have had the gumption to realise that the situation in West Asia is different today. In a conflict between Israel on the one hand and some of the Arab states on the other, it is neither necessary nor desirable that our government should have been as violently partisan as it has been. Our prestige in West Asia would undoubtedly have gained had our government been more objective in the early stages so that its subsequent labours in the United Nations to help promote a just settlement of Arab-Israeli issues could be more effective because less open to suspicion. In the event, our government has merely antagonised a powerful stream of world opinion besides further alienating Israel without increasing its own usefulness to the Arab world; the net result is that we have lost all round in terms of national advantage.

It is however our maladroit diplomatic interventions in the Vietnam war which most startlingly show the mark of our government functioning without a foreign policy geared to the nation's enlightened self-interest. The question here is not whether our government is justified in having reservations about US policy or not. The issues involved are definitely of a kind admitting of differing views being honestly held. After all, only Australia and New Zealand, besides Thailand and Korea, are endorsing the US stand to the extent of actually associating themselves with the American military effort in the field, while, even more significantly, the American people themselves are not by any means united in backing their government. But, whereas so many countries, zealous of their friendly relations with the United States, have been able to express their disagreement with this aspect or that of the US government's Vietnam policy, without seeming to take sides against the United States, our government has been playing its admonitory role in such a fashion as to make it appear that it considers US policy in Vietnam, from beginning to end, an unjustified and unrelieved act of aggression committed against the peace of Asia. Here, again, if our government had the benefit of a foreign policy rooted in our country's enlightened self-interest, it should have been possible for it to play a more responsible and dignified role consistent with considerations of our national security in the context of the designs of Chinese expansionism on the independence and integrity of Asian nations which do not want to be swept into a red imperialist hegemony.

II

It is obvious that no country can afford to continue indefinitely to accumulate liabilities of this kind in the conduct of its foreign relations by its government. The formulation of a foreign policy firmly based on the nation's enlightened self-interest has therefore become a matter of grave importance. Without such a policy the government will not only not be in a position to serve our national interests but is also liable to compromise them to an extent threatening our national well-being and even our national security in this dangerous world. The details of such a foreign policy will have to be carefully worked out, but some of its essentials at least are readily seen. Thus, it must be firmly recognised as our supreme national interest that the country should strive to preserve and promote the most friendly relations between itself and the United States as well as between itself and the USSR. Fortunately this delicate exercise has become less difficult in some ways than it was in the acute cold war years of the 'fifties and there is therefore less justification than ever for our government compromising this delicate equilibrium.

It is very desirable, again, for our foreign policy to seek actively opportunities of positive friendship with as large a number of countries as possible. There has been for some time a tendency in our government to take the United Kingdom for granted. It is true that historic factors as well as the current affiliations of the Commonwealth have lent an air of familiarity to Indo-British relations, but it cannot be denied that there had been less than complete understanding or even mutual tolerance between Britain and our country on many critical occasions. The United Kingdom may not be as important in world affairs as it once was, but it has not by any means become a negligible quantity in the counsels of nations while, in economic terms, the British "connection" continues to be a very valuable asset to us.

More generally speaking, the nursing of direct relations with the largest number of countries should be a positive aim of our policy. Time was when West Germany, Italy or Japan could be expected to extend development assistance to our country because the United States wanted them to do so, just in the same way as Poland, Czechoslovakia or East Germany could be relied upon to take an interest in our development effort because it was Soviet policy to be associated with that effort. Now, each country wants to decide for itself and in the light of what answers to its own needs. Therefore, visits such as that which the Chancellor of the Federal Republic of Germany paid to this country a few days ago must increasingly set the fashion for a new diplomatic strategy. It has been noted that Dr Kiesinger is the first West German Chancellor to have come to this country. Another important West German statesman, Dr Erhard, however, had visited our country when he was Economics Minister. Even so, it is true that direct personal contacts between leaders of our government and those of a number of countries with whom we should have close and continuous friendly relations have been fewer than they could have been. This is perhaps particularly true of our country vis-a-vis West Germany and Japan.

Dr Kiesinger's visit and what he said and did during his stay here have given ample proof of West Germany's great interest in economic collaboration and in the same way, when Mr Morarji Desai went to Japan, some time ago, there was abundant evidence of the desire of the two countries to come closer in industry and commerce. At the same time it must not be forgotten that this country holds no monopoly of these or other nations' concern. West Germany is equally keen on building economic contacts with Pakistan, while Japan's economic interest ranges over a wide area of south and south-east Asia, including Taiwan, Thailand, the Philippines, Indonesia and Malaysia. It is therefore always necessary for our government to be on its toes in arousing and nursing the friendly interests of as many countries as possible and among the latter we should most emphatically include Canada, Australia and Sweden.

Finally, it must be the aim of a foreign policy formulated in our enlightened self-interest to consider seriously whether we should continue to practise some of our current diplomatic taboos. We believe that, apart from South Africa and Rhodesia, which have attracted the disciplinary jurisdiction of the United Nations, there are other countries which it may not be necessary for our government to boycott diplomatically or in any other manner. In particular, the question of establishing diplomatic relations with Israel, the Ger-

Our stand is absolutely unchanged; may be the location is.

man Democratic Republic and Taiwan, on the common reasoning that all these countries do exist as sovereign states, ought to be courageously taken up. We are aware that many considerations could be urged against recognition in each of these cases, but we do believe that our government's position is basically illogical in all these instances and that, what is more important, the simultaneous recognition of all these states will, on balance, bring valuable strength to our foreign policy as an instrument for serving our national needs. Indeed, we believe that it would be both bold and sensible to try to normalise our relations, diplomatic as well as other, with Portugal and, in the area of trade relations, with the People's Republic of China. Just as we have very rightly refrained from breaking off trade relations with Pakistan although the latter is in occupation of our territory, we need find no particular merit in not trading with China pending the vacation of aggression by the latter. A country's foreign policy has less business to do with its yesterdays than with its tomorrows.

A Pair of Humpty-Dumpties

THE MINISTRIES of Haryana and Punjab—the two states born out of the bifurcation of united Punjab on linguistic basis in November 1966—fell in quick succession last week. The Haryana ministry was dismissed following dissolution of the state legislature on the recommendation of the Governor, Mr B. N. Chakravarty. The Punjab Chief Minister tendered his resignation on finding his supporters in a minority in the state assembly due to defection of 17 of them. There is no constitutional dispute involved in the latter case. The proclamation of the President's rule in Haryana, however, may provide a battle ground for the constitutional pundits as to whether the governor acted constitutionally when he recommended the dissolution of the legislature and the dismissal of the ministry even though the ruling party—the Samyukta Dal—enjoyed the support of 40 members in an effective House of 78. (The Haryana Assembly, in fact, consists of 81 members, but one seat is vacant due to the death of a member—the late Speaker; another member elected on the Swatantra ticket and thus a member of the Samyukta Dal has been debarred from participating in the proceedings of the House pending the disposal of his election petition in the Supreme Court and the election of still another member, belonging to the Congress party, has been recently declared void by the Punjab and Haryana High Court.)

The constitutional wrangling apart, no one will regret the imposition of the President's rule in Haryana. The Punjab Chief Minister, of course, would evoke sympathy for he has been let down by the defectors but the main point is that floor-crossings by opportunistic legislators make a mockery of the democratic system. Floor-crossings on ideological considerations can be appreciated but not the defections of the type that have been taking place in Haryana and Punjab; they have been prompted primarily by the lure of office.

Take first the record of Haryana. In the last general election the Congress party emerged as the largest single party in the state legislature with 48 members. The remaining 33 seats went to the Jana Sangh (12), the Swatantra party (3), Republicans (2) and Independents (16). The Congress formed the ministry under the leadership of Mr Bhagwat Dayal Sharma but hardly had this ministry been a few days old, when it suffered a setback on the issue of the election of the Speaker. The official candidate was defeated by the nominee of the opposition, thanks to 12 Congressmen voting with the opposition. The defectors from the Congress joined hands with the opposition groups and the independents to form the Samyukta Dal under the leadership of Rao Birander Singh, who incidentally was the person elected to speakership. Although the defectors ostensibly differed from Mr Sharma on the choice of the official candidate for speakership, the real cause was the caste prejudices; Jats did not want a Brahmin as the Chief Minister. The Samyukta Dal, with 45 members in its fold, was called upon to form the new ministry, Mr Sharma having resigned. Rao Birander Singh headed the new 15-member ministry, vacating the office of speakership. The Samyukta Dal increased its strength to 47 within a week by luring two more Congressmen to its ranks with offers of political office. One of the new defectors was included in the ministry while the other was made the Speaker.

Cracks, however, developed in the Samyukta Dal immediately with a pressure group in it wanting Mr Devi Lal to head the ministry. Unable to achieve its ends, this group started flirting with the Congress. Mr Sharma who could not so easily forget or forgive Rao Birander Singh, started, in collaboration with Mr Devi Lal, efforts to topple the Rao ministry. The Chief Minister, however, out-manoeuvred this attempt by expanding his ministry to 22 by adding two ministers of state and four deputy ministers. Two ministers of the Devi Lal group were dropped soon thereafter. There were some defections from the Samyukta Dal's ranks, but they were counteracted by weaning away another Congressman by offering him the office of a parliamentary secretary and winning back one of the defectors from the Dal by making him a member of the state Planning Board. The damage was controlled. The ruling party at this time had the support of 43 members. The opposition had a strength of 36—Congress 31 and Devi Lal group five. The effective strength of the House then was 79

But the balance tilted in favour of the opposition in the third week of October when four Jana Sangh members defected from the Samyukta Dal to join the Congress party. The strength of the Congress thus rose to 35. With five members of the Devi Lal group,

it claimed a majority in the House. This prompted a deputy minister to resign. Another independent member of the Samyukta Dal, Mr Gaya Lal, also broke away. The Health Minister tendered his resignation soon thereafter on differences over the nomination of the Dal's candidate for the by-election caused by the death of the Speaker. The ruling party's strength thus was reduced to 37 in a House of 79.

Not to be beaten at the game, the Chief Minister lured back Mr Gaya Lal with the offer of parliamentary secretaryship and one of the four Jana Sangh members who had defected earlier came back to the Jana Sangh ranks, not, of course, with any promise of office for the Jana Sangh was supporting the Rao ministry without having any of its members in it. About a week later a defection was secured from the Devi Lal group. Another member from the Congress was won over two days later. Both of them were made ministers. A parliamentary secretary was promoted as minister of state. The ruling Samyukta Dal thus again came to enjoy a majority with 41 members in an effective House of 79. The effective strength of the House soon dwindled to 78 with the election of a Congress member having been declared void by the state High Court. But in the meantime the defector from the Devi Lal group resigned from the ministry and went back to the Devi Lal fold. In the second week of November, the ruling party had the support of 40 members in a House of 78. The opposition consisted of 38 members—Congress 33, Devi Lal group four (one member of this group had by this time joined the Congress) and independent (former Health Minister) one. Although subsequently the four members of the Devi Lal group joined the Congress, the relative strengths of the ruling party and the opposition were not affected. There were, however, doubts whether Rao Birander Singh had the full allegiance of all the 40 members in the Samyukta Dal. The opposition claimed that some members on the treasury benches were just sitting on the fence and could defect any moment.

So far as Punjab is concerned, there may not have been as many defections and as quickly as in Haryana, but there is no denying the fact that this nefarious game had been played there also ever since the United Front ministry came into power under the leadership of Mr Gurnam Singh, a retired jurist turned politician. During the last general election, the Congress party had secured in this state as many as 48 seats in a House of 104. The Akali Dal (Sant group) had secured 24 seats, the Akali Dal (Master Tara Singh group) two, right communists five, left communists three, Jana Sangh nine, Republicans three, Samyukta Socialist Party one and independents nine. While the Congress was busy in resolving its internal feuds on the issue of electing the leader (it could form the ministry with the support of some independents), the non-Congress groups dramatically formed a United Front with the support of a majority of the independents to register a slender majority of one or two members in the House. Some defections were secured from the Congress, which was in opposition, so that the Front could have a comfortable majority. The Congress, in its turn, tried to wean away some members from the United Front but it could have some temporary successes only. The real success came when 17 members—nearly half of them former independents—broke away from the Front under the leadership of the Education Minister, Mr Lachhman Singh Gill. The manoeuvre of the Chief Minister to forestall the defections from his ranks by elevating two members of the Front to the offices of parliamentary secretary proved futile. Even these two members joined the defectors. With the ruling party's strength reduced to 41 in a House of 104, the Chief Minister had no alternative but to resign.

The above facts clearly show that the Haryana and Punjab ministries fell because of opportunism on the part of several legislators. The reported difference of opinion between Mr Lachhman Singh Gill (and some of the defectors, including a cabinet minister, two deputy ministers, two parliamentary secretaries and the deputy speaker of the state legislature) and the Chief Minister, on keeping communists in the United Front, knowledgeable circles opine, was not the main reason for defections in Punjab. The real cause was the ambition of some of the defectors to wield greater power than they were exercising hitherto.

When defections have been secured by the ruling parties in both Haryana and Punjab undoubtedly with offers of political office and the oppositions also have been apparently indulging in the same game, the political instability and the consequent unhealthy influence on the services can well be imagined. Undue interference in administration to satisfy the capricious demands of politicians cannot be ruled out. As the Governor of Haryana has pointed out, too frequent transfers of administrative personnel at the instance of legislators have demoralised the services; the administration there has been paralysed. Defections of nearly 30 members one way or the other in a legislature (Haryana) with an effective strength of 78 and some of the defectors crossing floor as quickly as chameleon changes its colour, is indeed something to ponder over.

AN AMERICAN DIARY—I

A President—And His People

THE EDITOR

AT 11 A.M., on November 20, the population of the United States was recorded at 200 million. When the Census Bureau's population clock in Washington ticked off that figure, it was also adding a reverberating note to the vibrant beat of present-day American life itself. Along with the quality of American life the sheer number of living Americans will hereafter become a giant force in the affairs of this planet and, perhaps, beyond.

It has been my privilege, pleasure and profit to have spent about two months recently in this questioning, questing, quickened community of contemporary America. This has been an awesome and humbling experience in some ways, because it has taught me that, however immense man's achievements are, they would still be never complete, nor even sufficient; that the poet's realization that there are "miles to go" is a truth for all of us to share.

That this is the dominant mood in the minds of Americans themselves I have no doubt. Proud as they are of the colossal strength of their economy and the strength of their state in the affairs of the world, they are becoming increasingly concerned with the obligations of that strength, with the thought whether, having a giant's strength, they should not be meticulously on their guard against the temptation to use that strength like a giant.

It is this moral anxiety which is at the root of the great debate over the Vietnam war which is now the grand passion of American public life. For, let there be no mistake about it. This debate is basically a discussion of the rights and wrongs—in the old-fashioned meaning of those terms—of the Vietnam war and only secondarily and sectionally an argument over political strategy or military tactics. Its most significant slogan is not the "Bomb Hanoi" demand of the Hawks, nor the Doves' counsel of withdrawal but the plea of American mothers remonstrating before the White House that babies are not for burning. In this sense, the movement in the United States against the war in Vietnam is above politics. It is, in its essentials, a simple moral protest against war itself, a national exercise in the fundamental virtue of compassion.

Computerised War

This, however, is not to imply that the controversy is not proceeding with varying degrees of earnestness at different levels of the argument. There is undoubtedly much sophisticated discussion of the "domino theory" of the vulnerability of Asian countries to the Chinese (and communist) threat or the issue whether it is really necessary for the United States to draw its defence line across the paddy fields of Vietnam and whether it could not afford to draw this frontier, instead, along the coastal periphery of Australia. But, so far as the great mass of the dissent that is challenging President Johnson on the very door-steps of the White House is concerned, the only question that seems to insist on an answer is whether a moral limit should not be set to computerised war before civilised man ceases to be civilised.

Confronted thus, the Chief Executive of the United States is all but helpless today. On the strictly moral plane only three lines of defence have ever been open to him: that the United States is spending its treasure and shedding the blood of its soldiering sons to honour the moral and political commitment it has made to its ally, the people of South Vietnam, to defend them against communist aggression and make it possible for them to live under a political and economic system of their own choice; that the primary responsibility, both moral and other, for the death and destruction in Vietnam is that of the Vietcong and those who are behind it and against the negotiation of a peace settlement providing for the survival of democratic freedom in South Vietnam; and that the United States has an inalienable moral right to defend itself on a ground of its own choosing when its own security is threatened.

Whatever the virtues of these arguments may be, whether individually or collectively, they have not helped President Johnson to ride the storm of moral indignation in the American nation. For one thing, as the war wears on, the morale of the South Vietnamese seems to be wearing even more rapidly with the result that the United States is increasingly becoming the sole principal instead of remaining an ally. The American intervention, in other words, is taking on the appearance of an American imposition, while the South Vietnamese are beginning to present the image of a people wanting to be spared rather than desiring to be saved. Secondly, the insistence on communist culpability in respect of the ravages of the war, however logical, has to reckon with the sentiment stirred up by the fact that it is the Vietnamese children who are being killed or crippled by US bombers raining napalm on the soil of Vietnam from the skies of Vietnam; there is no war on American soil nor are American children being killed. Finally, the argument about the United States exercising its moral right of self-defence has been caught up in the technical controversy whether it is politically wise or militarily necessary to seek to contain the Chinese threat through a war in Vietnam. If doubt could be cast on the self-defence theory, as has been sought to be done, the claim that the United States has a moral right to protect itself even at the cost of the lives of the Vietnamese, friends and foes alike, becomes so much more difficult to sustain.

No Moral Involvement

In the circumstances the President of the United States has to reconcile himself to the unenviable task of going on with a war which, in the greater part is not his nation's. His ordeal would have been less onerous had the American people merely become psychologically war-weary or had started feeling tired of having to pay for the war through higher taxes or rising prices, for, in that event, there would always be a chance that a patriotic response would not, in the last resort, be found impossible to evoke. The dissenters, however, are not turning against the Vietnam war for either of these reasons. I have no doubt in my mind about the strength of will of the American people or their capacity to make sacrifices when they are genuinely convinced that their values are at stake. The point is that a large number of them do not seem to have this feeling of moral involvement in the Vietnam war except, of course, in the sense of their regarding it as morally wrong for the Americans to be fighting it.

For a President thus divorced from his people, this may yet be his finest hour. President Johnson, who saw himself as ruling by a national consensus, is now drawing himself up to the heroic dimensions of his high office as a leader who would save his people in spite of themselves. For the man who finds himself riding a tiger, the simple alternative of jumping off its back is just not available. When the last moral protest has been raised against the war in Vietnam, it would still be the moral duty and responsibility of the President of the United States to seek and achieve a military conclusion or a political settlement which will not leave the United States, its allies or, indeed, any country which does not want to be drawn into a communist hegemony, weaker in the will or ability to resist subsequent or ultimate aggression. The United States is fortunate in a President who places his duty above himself.

(To be continued)

The Glamour of Gromor

R. C. UMMAT

Our Senior Assistant Editor, Mr R. C. Ummat, visited the Coromandel fertilizer project at Visakhapatnam recently as a member of a team of journalists invited by the project's management to make a first-hand study of the project on the eve of its inauguration by the Deputy Prime Minister, Mr Morarji Desai.

THE DEPUTY Prime Minister, Mr Morarji Desai, will inaugurate the country's first major complex fertilizer manufacturing unit in the private sector on December 10. Situated in the picturesque surroundings of the eastern ghats and laid out neatly on a compact block of about 100 acres near the Visakhapatnam harbour, adjacent to the Caltex refinery, the Coromandel fertilizer project will produce annually 80,000 tonnes of nitrogen (N) and 73,000 tonnes of phosphate (P2O5) in the form of 260,000 tonnes of ammonium phosphate which will be marketed under the trade name "gromor" and 16,500 tonnes of urea. The ammonia unit of the plant has already gone into production. The urea unit will go on stream in the next few days. The complex fertilizer will move out soon thereafter. When in full production in the next few months—the rigorous trial runs hold promise that the gestation period of the plant may not be long—it will help in saving foreign exchange worth nearly Rs 25 crores per annum. The increase in grain production resulting from the use of the plant's products will be enough to feed some eight million people.

Conceived and promoted by EID-Parry—one of our premier fertilizer manufacturing and selling concerns with nearly six decades' association with the country's agriculture—the project has benefited from the collaboration of two US corporations—the Chevron Chemical Company of San Francisco (a subsidiary of the Standard Oil Company of California, engaged in fertilizer and industrial chemicals business) and the International Minerals and Chemicals Corporation of Skokie (the world's largest independent producer of chemical fertilizers turning out yearly about 10 million tonnes of all types of inorganic manures at some 50 plants in and outside North America). Although the two American giants themselves hold only minority share in the venture of nearly 47 per cent, they, in association with EID-Parry, which has a 6.4 per cent share, will have the controlling interest. The rest of the capital has been subscribed by 911 individuals and 10 institutional investors. The latter, most of whom were the underwriters for the public subscription, include the Andhra Pradesh Industrial Development Corporation, the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India, the Punjab National Bank, the Life Insurance Corporation, Hercules Industrial Corporation, the New India Assurance Company, the Northern Assurance Company, the Employers' Liability Assurance Company and the South India Insurance Company. Loan finance has been arranged from the Export-Import Bank of Washington, the United States Agency for International Development and the Industrial Development Bank of India.

Financial Problem

Originally estimated to cost Rs 30 crores, the total investment in the project, including working capital to the tune of about six crores of rupees, has come to Rs 48.4 crores, thanks to several upward revisions in the import duties since 1959 when the project was mooted, the impact of inflation on labour and material costs and the devaluation of the rupee in June last. The additional finance needed posed no small problem for the promoters, especially when the capital market in the country had been sluggish since the Chinese attack in 1962.

Besides the problem of finance, the project had to encounter several other difficulties as well—both man-made and intrinsic to a developing economy. The man-made problems arose out of the bureaucratic attitudes and procedures. There were long-drawn out negotiations on whether the equity-loan ratio for the project should be 2 : 1 as desired by the government or 3 : 1 as proposed by the promoters. The scheme of marketing arrangements also could be resolved only after lengthy discussions, the government ultimately being prevailed upon to allow the venture the freedom to sell its products through its own distributive channels. Then there were customs and licensing delays. The problems intrinsic to a developing economy included lack of adequate port facilities to handle exceptionally heavy equipment, paucity of skilled labour to operate a complex plant, dearth of adequate firm power, etc.

The manpower problem has been resolved by the promoters by arranging intensive training programmes on the project itself. The power supply has been assured for the present from the Machkund power station. Ultimately the project will receive power from Upper Sileru hydel scheme. The one major difficulty that lies ahead is the transportation of finished products from the plant to the dealer and finally to the farmer. This is proposed to be overcome by utilising, in addition to rail transport, the coastal shipping and road services.

Raw Material Procurement

The procurement of raw materials luckily is not expected to pose any problem. The project authorities claim to have arranged for sulphur supplies for nearly two years' operation. The rock phosphate supplies have also been provided for on a long-term basis. The main feedstock for the production of ammonia, namely, naphtha, has been assured from the nearby Caltex refinery. In regard to sulphur no difficulties are envisaged for the future also as one of the collaborators in the project—the International Minerals and Chemicals Corporation—owns extensive deposits of this mineral in the United States and elsewhere in the world.

The project, naturally, will be mostly manned and run by our nationals in due course. There are at present about 34 Americans, but by January 1, this number will be reduced to 28. Eight or 10 more will be sent back in the first half of the next year. In about three years not more than two Americans will be left; the rest of the nearly 700 personnel will be all Indians. The utility services of the plant have already been completely Indianised.

The Coromandel project has the distinction of having paved the way for the government's fertilizer policy announced in 1965. (Under this policy manufacturers who take out industrial licences before December 31 this year, will be allowed for a period of seven years from the start of commercial operations, the freedom to market their products without any price and distribution controls, subject to government reserving the right to take over 30 per cent of the output for distribution in areas which may not be served adequately through private channels.) It has also blazed another important trail through what is known as a "seeding programme" for assessing market potentialities ahead of indigenous production. The company has thus been subsidising since 1962 the use of imported ammonium phosphate (supplied under the US aid programme) on its demonstration plots with a view to familiarising the prospective buyers—the Andhra Pradesh farmers—with its proposed products. Already over 1,160 demonstrations have been held and some 210,000 tonnes of imported ammonium phosphate distributed. The demonstrations started with the main crop of the state—paddy. As time passed, the other principal crops of the area were also brought into the scheme. The programme has paid rich dividends. The spectacular increases effected in the outputs of various crops—37 to 110 per cent in the case of paddy, 20 to 150 per cent in groundnuts, 11 to 88 per cent in sugarcane, 20 to 167 per cent in jowar, 25 to 41 per cent in turmeric, 17 to 50 per cent in chillies and 39 to 48 per cent in cotton—have created a ready market for "gromor". The seeding programme has helped the company to adjust its manufacturing plans. Instead of producing complex fertilizers containing 20 per cent N and 20 per cent P2O5, it is now going in for the production of fertilizers containing 28 per cent N and 28 per cent P2O5. The new composition, it has been found, will make the transportation and application of "gromor" more economic.

Distribution System

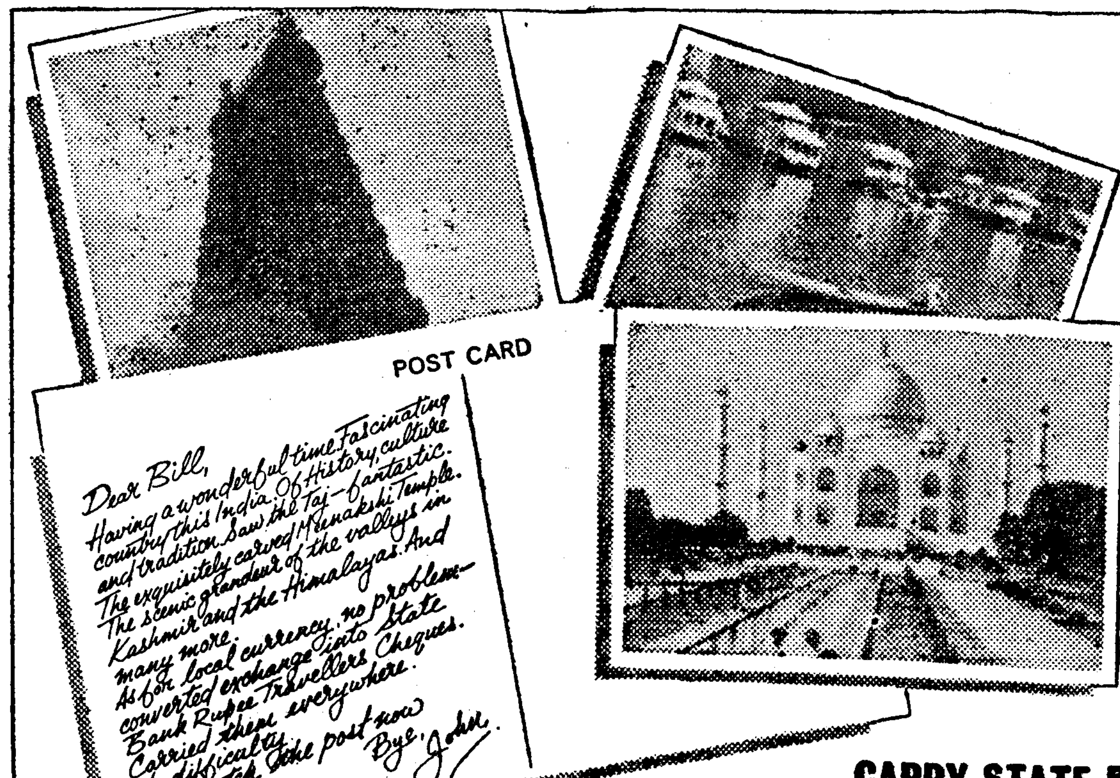
The seeding programme has also helped to anticipate and deal with distribution bottlenecks with the result that an energetic distribution system has already been organised. Nearly 2,000 distributors have been appointed. In addition, as many as 320 co-operatives have been engaged as distributors. The share of co-operatives in the distribution network may go up in course of time as, whereas there has been imposed for the past one year a moratorium on the appointment of private distributors no such ban has been placed on co-operatives. The distributors will be required to supplement governmental efforts in the field of agricultural extension. The company will guide and assist its distributors in extension work. It has recently acquired an audio-visual publicity van and is bringing out a periodical newsletter for the purpose. The company, however, has at present no programme for the provision of credit to the agriculturist. The credit will have to come from co-operatives and other such sources. It is felt that the credit needs of the farmers will be met adequately through the combined efforts of the state government, co-operatives and banking institutions.

Although Coromandel Fertilizers will take a few months to reach its present rated capacity, it has already taken out a letter of intent to expand its capacity in two phases. In the first phase, production is expected to be increased by about 20 per cent, essentially through a programme of removing bottlenecks. This phase is expected to cost about four crores of rupees, the foreign exchange component—to finance the installation of one additional compressor each to the five units of the plant, and establishment of potash manufacturing facilities—being of the order of $2.5 million. It is likely to be completed in about two years. The second phase visualises the addition of a brand new ammonia plant, bigger than the one the company has at present, and a new urea plant, twice as large as the presently installed one. It is expected to cost Rs 26 crores—slightly over 70 per cent in foreign exchange—and may materialise in about four years. But much depends on how the market absorbs the company's products. The letter of intent has to be firmed up in six months. Both the phases of the expansion programme will include the addition of potash to the complex as it is felt that potash must be replaced in the soil after heavy dosages of nitrogen and phosphate have been used.

Naphtha Supplies

The first phase expansion may not pose any problem of naphtha supplies. The existing refining capacity of Caltex is expected to make available all the additional quantities of naphtha required for this phase. During the second phase, however, naphtha supplies may have to be arranged either through the expansion of the Caltex refinery or from elsewhere in the country.

The company proposes to establish shortly a modern research laboratory with soil testing facilities which will enable it to adjust its production pattern further should the necessity arise. The setting up of this laboratory should make the company's extension efforts more effective. On the completion of the two phases of expansion, the establishment of the research laboratory and provision of housing facilities on the plant site itself for the key personnel of the venture, the project area will ultimately cover nearly 500 acres.



Indian Economy at Cross Roads

MANUBHAI SHAH

PLANNED DEVELOPMENT is a gift of independence to our country. There was some secondary development during the period of foreign domination but this development was essentially unplanned and haphazard. No wonder the rate of economic growth during the last fifty years of British rule was one per cent per annum. Thus the economic position that obtained on the eve of our independence in 1947 was very discouraging. We had inherited from the British a war economy that was financed largely through inflation. Agriculture was primitive and even the modest industry that existed required large-scale replacement and renewal of machinery. The railway system showed signs of strain. The rate of increase in national income was neutralised by the rate of growth of the population.

Partition reinforced some of these problems. There was an influx of millions of refugees and conflict with Pakistan over Kashmir. The country was also faced with a serious shortage of foodgrains. From an economy that had a surplus in foodgrains and agricultural raw materials like jute and cotton, our country became deficit in these materials overnight because of the partition. Superimposed were the teething troubles of a newly independent country. Among these problems the most important was the integration of 600 and odd autonomous and semi-autonomous princely states. Above all, there was a revolution of rising economic expectations on the part of the people directly as a result of independence.

After attending to some of the pressing problems such as the rehabilitation of refugees and integration of princely states, the Government of India threw itself headlong into the solution of the very basic problems of poverty and economic stagnation. It did not take the government long to realise that the problem of mass poverty could expeditiously be overcome only by planned development. It also became evident that the necessary stimulus to economic activity could not come from the private sector alone. The private sector, small and fragmented as it was during the British rule, was unable to assume an economic role and posture that would bring about a widespread transformation of the economy. The acceptance of planning inevitably implied the acceptance of an active economic role on the part of the state.

The resolve of the government to play a leading role in the economic development of the country was also reinforced by the promise that the Constitution had held out to secure for the people of India justice 'social, political and economic'.

The Planning Commission

Accordingly, the Planning Commission was set up in April 1951. An outlay of Rs 2,500 crores was allotted to the public sector. This, together with an estimated investment of Rs 1,600 crores in the private sector, was expected to result in an 11 per cent increase in national income. Investment in the economy was to rise from Rs 450 crores in 1950-51 to about Rs 675 crores in 1955-56. In percentage terms the annual rate of investment was to rise from 5 to 7 per cent of the national income by the end of the first Plan.

The immediate aim of the Plan was to tackle the shortages of food, raw materials and essential consumer goods, the problem of high prices, and the relief and rehabilitation of displaced persons. The long-term objective was to initiate the process of planned development by making a small beginning in the creation of economic and social overheads. These objectives of the first Plan were fulfilled. National income which in 1950-51 had been estimated at Rs 9,000 crores went up by 18.4 per cent over the period. Agricultural production increased by 22 per cent. Industrial production registered a rise of 39 per cent. Intermediate and consumer goods went up by 34 per cent each. The largest increase, however, occurred in the capital goods sector. The output of capital goods rose by 70 per cent. The explanation of the abnormal percentage rise in the output of capital goods was that we started with a very small base initially. Some progress was also made in building up economic infrastructure.

Monsoons were favourable during the first Plan period. The temporary shortage of food disappeared. India did not have to face any foreign exchange difficulty because of the ready availability of accumulated sterling reserves. There were hardly any significant changes in the import and export sectors. The average annual exports for the first Plan period stood at Rs 593.7 crores (pre-devaluation rupee) and the annual imports were estimated at about Rs 1,000 crores. All in all, some advance on the previous position had been made but the pace of advance was essentially slow.

Thus the first Plan hardly marked a spectacular step forward on the road to economic development. It was essentially a 'restoration plan', intended to repair the damage done by the partition, with special accent on agricultural production and the creation of economic overheads. The Plan succeeded eminently in the limited purpose that was set before it.

The Second Plan

The real plunge into development was taken with the launching of the second five-year Plan. The second Plan proposed an outlay of Rs 4,800 crores in the public sector. Investment in the private sector was estimated at Rs 2,400 crores. The total investment was twice that of the first Plan. The rate of investment was to increase from 7 per cent in the first year of the Plan to 11 per cent by the end of the second Plan. A more rapid rate of growth of national income, compared to what was achieved in the first Plan, was aimed at. The second Plan envisaged a 5 per cent per annum growth as against 3.5 per cent in the first Plan. Another objective of this Plan was the creation of eight million job opportunities outside agriculture and 1.6 million in agriculture and allied activities.

The national income over the second Plan, which ended in 1961, rose by 20 per cent. Agricultural production increased by 20 per cent. The highest rise, however, was recorded by industrial production which went up by 41 per cent. The rate of annual investment rose from about eight per cent at the beginning to about 11 per cent at the conclusion of the second Plan. Thus the second Plan was a great success and created a healthy and hopeful atmosphere for the future progress of the country.

The third Plan, which commenced in April 1961, was an ambitious plan. It provided for a public sector outlay of Rs 7,500 crores and an investment of Rs 4,100 crores in the private sector. The Plan, however, did not succeed in achieving these objectives. It furnishes an example of relative failures on several fronts. The growth in national income during the third Plan period fluctuated from year to year. National income increased by 2.5 per cent in the first year but the growth rate declined to 1.7 per cent in the second. It moved up again to 4.9 per cent in the third year. The peak of 7.6 per cent of annual growth was touched in the fourth year. In the last year of the Plan there was however a setback due to unprecedented drought. The national income is estimated to have declined by some four per cent in the last year of the Plan.

The third Plan period was in many respects abnormal. Weather conditions which govern agricultural production were adverse in three out of the five years. The year 1966 witnessed the worst drought in living memory. It brought a sharp fall of about 18 per cent in agricultural production. The output of foodgrains fell from a peak of 89 million tonnes to a low figure of 72 million tonnes. The drought affected our exports also. The agricultural exports, which are our mainstay, declined by Rs 80 crores. It was followed by another severe drought in 1967. The foodgrains production remained almost stagnant at the level of the drought year 1966 at 74 million tonnes. Our agricultural exports also were adversely affected for the second year in succession.

The country faced the Chinese aggression in 1962 and the conflict with Pakistan in 1965. This inevitably necessitated a large increase in defence outlays, rising from about Rs 250 crores per year in 1961 to almost Rs 1000 crores in 1966-67. This meant a great cut in public and private investment in all sectors of the national economy. The country was compelled to adopt a Rs 5,000-crore defence plan for five years. Shortage of foodgrains created by drought, high cost of imported grains, together with large defence outlays resulted in severe inflationary pressures. While the wholesale price index recorded a rise of 25 points between 1952 and 1962, it went up by nearly 100 points between 1962 and 1967. To cap it all, there were delays in securing foreign credits and virtually a suspension of foreign aid in the last year of the third Plan. These factors explain some of the severe shortfalls of the third five-year Plan.

It is appropriate at this stage to take a critical look at the 15 years of planning as a whole. It shall be our endeavour in this review to highlight the quantitative and the qualitative shifts which have occurred in our economy during this period.

Any nation can be proud of what has been achieved by us in spite of our current difficulties. National income at constant prices, i.e., 1948-49 prices, rose to Rs 15,500 crores in 1965 from Rs 9,000 crores in 1951. Per capita income at constant prices increased to Rs 317 in 1965 from Rs 255 in 1951. The national income at 1964-65 prices rose to Rs 20,100 crores in 1965. The per capita income at 1964-65 prices is estimated at Rs 431. The investment in both public and private sectors has increased enormously during this period. The public sector investment has risen from Rs 4,400 crores in 1951 to Rs 11,510 crores in 1966. In the private sector, the investment has gone up from Rs 750 crores in 1951 to Rs 9,000 crores during the 15 years. Production has increased both in volume and diversity. The contribution of the private sector to the national production has been remarkably high both in quantity and value and also in diversity of the products.

The index of agricultural production has gone up from 95.6 in 1951 (1950=100) to 157.6 in 1965. The index of foodgrains production has increased from 90.5 in 1951 to 149.1 in 1966. In absolute terms, the foodgrains production has increased from 55 million tonnes in 1951-52 to 89 million tonnes in 1964-65.

Qualitative Change

The index of industrial production increased from 74 in 1951 (1956=100) to 184 in 1965. The exports have also taken a big jump during this period of fifteen years of planned development. From the annual average of Rs 600 crores in the first Plan, exports increased to the annual average of Rs 770 crores in the third Plan reaching as high a figure as Rs 820 crores in 1966 which was the highest achievement so far. The economy has also gone through some significant qualitative shifts. There has been a spectacular increase in the production of many of the commodities and materials of critical importance to economic development during these fifteen years. Excepting in a few fields like steel, electricity, petroleum refining and machine tools, most of the production is contributed by the development of private sector in agriculture, mining and industry.

Spectacular advances have also been made in the field of social services. Over 52,000 villages and towns have been electrified compared to 3,700 villages in 1951. Seven lakh wells have been sunk in the villages and 17,000 villages have been supplied with piped water supply. The number of children attending school has gone up from about 23 million in 1961 to 68 million in 1966. The number of college students has increased from three lakhs to 21 lakhs. The number of hospitals and dispensaries has risen from 6,600 to 14,600. The country now has 8,000 maternity and child welfare centres, 4,800 rural primary health centres and 11,474 family planning centres. We now have 2,40,000 hospital beds, 86,000 doctors and 45,000 nurses.

Zamindari, i.e. landlordism, has been abolished. In 1951, the gross area irrigated from all sources was estimated at 56 million acres. Irrigation facilities are now available to about 100 million acres.

Per capita consumption of foodstuffs has gone up from 1759 calories to 2,145 calories a day. Supply of food has increased from 12.8 ounces per capita per day to 15.4 ounces. Per capita availability of cloth has gone up from 11 metres to 15 metres per year. The common man has also benefitted from the vast industrial complex that has been created and from the tremendous progress achieved in transport and communications. Some of the agricultural and community development programmes have directly and indirectly helped the under-privileged sections. Although, our population has registered a massive rise of about 134 million in ten years, people are definitely better fed and better clothed than they were 15 years ago. As a result of this improvement in the standard of living, expectation of life has risen from 32 to 50 years.

The Shortfalls

There is however enough to cause concern to anyone interested in the welfare of the country. There has been a big shortfall in the domestic rate of saving. The rate of annual investment had touched roughly 14 per cent in 1966. One-fourth of this investment, however, was financed with the help of foreign aid. The annual domestic rate of saving has been only in the vicinity of 10 per cent and instead of a steady rise in domestic savings, there have been shortfalls all along the line. Although the rate of growth of foodgrains output has been fast, it has not been fast enough to cope with the increasing consumption standards of the growing population and meet the demands of increased per capita income and other structural changes accompanying development. Our foreign debt has risen considerably. There is going to be an average annual outflow of Rs 460 crores (post-devaluation) during the fourth Plan and Rs 610 crores (post-devaluation) per year on an average during the fifth Plan on account of repayment of principal and interest. As for our currency reserves, they have declined and on many occasions have come perilously close to the statutory minimum (i.e. Rs 200 crores). Our adverse trade balance stands at around Rs 800 crores (post-devaluation). Industrial capacity continues to be unutilised for want of adequate demand which in turn is traceable to the current recession in industry. The backlog of unemployment has increased by several million.

Our per capita income is still among the lowest in the world. It is lower compared even to smaller countries like Libya and Ceylon. Vast millions are still living below 'the bread line'. The Planning Commission has estimated that one-third of our population will continue to live below the 'bread line' for many years to come. This is a terrifying thought indeed. Resources are becoming difficult to mobilise. Prices have risen enormously. Inflation is leading to all kinds of social unrest; it is beginning to threaten development itself.

We have arrived at cross roads of the Indian Economy. After a good deal of vacillation, it has been wisely decided to launch the fourth Plan from 1969 onwards. These three intervening years, 1966. 1967 and 1968, are to be utilised as a period of consolidation and tying up the too many loose ends.

With favourable monsoons this year, the country hopes to raise an output of 95 million tonnes of foodgrains. This certainly will enable the economy to turn the corner. With a bumper crop in prospect and the consequent additional injection of about a thousand crores of rupees into the economy, we can afford to raise our sights. Other things being equal, the country should be able to achieve a minimum of 7 per cent growth rate next year, because of the bumper crops and the consequent improvement in the purchasing power of the vast rural population. It is only such a high growth rate that will enable the country to recover the tempo of economic activity. It will also make up part of the decline that has occurred in our national income during the last two years.

In view of our economic difficulties during the last two years, some people at home and abroad have been making very pessimistic forecasts about our economic future. Our own balance sheet might also suggest that we are up against heavy odds. However, in fairness, the achievements of 15 years of planning must be judged against the misery and stagnation of centuries. Also having reached the verge of a technological revolution in many sectors of our economy (excepting in the agricultural sector), it is suicidal to retrace our steps. It will disrupt the momentum gathered by the economy during the last 15 years. We certainly must go ahead. The imperative need of going ahead is accepted by almost all shades of opinion in the country. The crux of the question is: at what speed should we go ahead? We should drastically reorientate our fourth Plan and replan our strategy by intensifying development of agricultural and natural resources. The main slogan for the next five years has to be "Agriculture". The industrial development will take care of itself by the creation of surpluses and larger wealth through increased agricultural production. Unless real income and purchasing power in the vast rural and semi-urban areas of the country are increased by a larger agricultural production, the savings, i.e. investible surpluses for industrial development, will not be available. The stationary purchasing power of the people due to stagnant agricultural production is not conducive to the maintenance, not to say of the improvement of the existing structure of industrial production. I would, therefore, suggest that a completely saturated programme of inputs—both in terms of rupee resources and foreign exchange for the import of fertilisers, pesticides, implements etc.—should be made available for agriculture. We should even have stockpiling of such inputs of agriculture. For the next five years development of agriculture and other natural resources should be given the topmost priority, even if it means slowing down the rest of the development programmes. Once agriculture revives and develops, industries will develop faster. The overall national resources for taxation, borrowings, savings and investment will also increase.

Agriculture being labour-intensive, the redirection of the pattern of our investment will help to generate more employment at lesser investment. It is true that for a brief period, because of reduced investment in industry and infrastructure, there might be reduced employment potential in the industrial sector but the increased employment in agricultural sector will more than make up for this lag. The industrial sector itself will start picking up in growth and momentum as consumer demand grows and agricultural raw materials are made available to most of the industries from increased production. Exports and foreign trade also will get the necessary boost through this redirection of pattern of investment and fixing of the revised priorities.

That Unnecessary Devaluation

PAUL EINZIG

HAVING STATED on innumerable occasions during the past three years that a devaluation of sterling was a mere question of time, I may be accused of inconsistency if I say that the devaluation of sterling by 14.3 per cent at 9.30 p.m. on November 18, was unnecessary. Yet I am convinced that the government could have avoided it, as it avoided devaluation on half a dozen occasions when sterling was in crisis during the last three years. The present attack on sterling was mild compared with previous attacks, right until November 16, when it suddenly assumed crisis-like dimensions solely because of the strange behaviour of the British authorities. From the moment the Prime Minister, the Chancellor of the Exchequer and the Governor of the Bank of England refused to repeat their repudiation of the idea of a devaluation, the pound was doomed. For, even though devaluation denials are not taken nowadays at their face value, unwillingness or reluctance to disclaim intentions to devalue is bound to be interpreted as indicating an imminent devaluation.

Why did the spokesmen of the British authorities pointedly abstain from making reassuring noises on the present occasion during the five days that preceded the announcement of the devaluation? Surely they must have known for certain that in the absence of categoric denials a landslide must develop in the foreign exchange market. Indeed what was surprising and inexplicable was that the landslide which developed on Thursday and Friday did not develop earlier in the week. Possibly dealers were afraid that the conclusion of an agreement about the granting of a large credit to Britain would cause a sharp recovery of sterling, so that it was not until after Mr Callaghan's emphatic refusal to be reassuring that they began to take a definite view and to have the courage of their convictions.

Had Mr Wilson intended to devalue for some time past? Possibly he may have arrived at the conclusion that it would be expedient to do so (a) in order to improve Britain's prospects of being admitted into the Common Market; (b) in order that he should be able to regain some of his lost popularity in the Labour party; (c) in order to avoid having to adopt drastic deflationary measures in defence of sterling; and (d) in order to make yet another desperate attempt to balance the trade gap. He must have been aware that it would be ignominious to devalue in cold blood. So his silence, and that of other spokesmen, on the subject of devaluation may have served the deliberate purpose of working up a major crisis which would then justify a devaluation.

Undeserved Compliment

But perhaps it would be paying him an undeserved compliment to credit him with such a degree of Machiavellism. Possibly he has simply blundered into devaluation as a result of his attempt at brinkmanship. He may have abstained from denying intentions to devalue in order to frighten foreign bankers in general, and France in particular, into being more forthcoming in their response to Britain's request for substantial financial support. Possibly he may have been playing with dynamite in the hope that General de Gaulle might even be frightened into agreeing to Britain's admission into the Common Market rather than expose the French economy to the effects of a substantial devaluation of sterling. Hence the persistent rumours about the possibility of a 30 per cent devaluation which would have made the franc and other currencies look quite silly.

If that explanation is correct then Mr Wilson was guilty of having overlooked the elementary fact that it is easier to start an avalanche than to stop it. Having aroused by his strange attitude an avalanche of selling pressure on sterling during the second half of the week, he would have found it difficult to check the movement, even if he really tried, without yielding to its pressure to some extent. Amidst the acute crisis foreign governments and central banks would have been reluctant to pour financial assistance down the drain unless there was some degree of devaluation. The situation being what it is, they were willing, and even eager, to accept a moderate degree of devaluation as inevitable. Rather than face the risk of the international monetary chaos that would have followed a 30 per cent devaluation of sterling, they were prepared to assist in defending sterling after a 14 per cent devaluation.

Was that devaluation really necessary? There was no obvious over-valuation of sterling. Indeed prices in some other industrial countries were, if anything, higher. But in Britain domestic demand continued to absorb an excessive proportion of the output which ought to have been reserved for export. And it was the declared policy of the government to reflate in order to avoid an increase of unemployment, even though the persistent weakness of sterling did induce it to moderate the degree of reflation. Above all, there were no indications whatsoever of any serious attempt to cut public spending, or even to arrest its increase. It was this inflationary background that induced trade unions to do their worst. But for the reflation there would have been no dock strike.

Premature Relaxation

Had the government not relaxed the wage freeze and the credit squeeze prematurely a devaluation of sterling could have been avoided. It is true, simultaneously with the announcement of the devaluation, the government also announced the adoption of some of the measures which, if adopted a few weeks ago, would have saved the pound.

Will those measures be sufficient to defend sterling at its devalued level? The immediate reaction to them and to devaluation is certain to be favourable. Profit-taking by speculators and the return of foreign balances withdrawn from London are certain to keep sterling firm for a time, all the more as the storm centre of international speculation is likely to shift from sterling to currencies which are not devalued following the British devaluation. During the next few months we are likely to witness attacks on various currencies, and they are certain to help sterling.

The question is, will sterling become self-supporting at its devalued level also in the long run? It depends on whether the government is prepared to retain the deflationary measures, and if necessary to reinforce them, after the first reactions to the devaluation are passed. If it should be in a haste to reverse these measures, as it had been on repeated occasions whenever there was a respite in the selling pressure on sterling, then the present respite, like the previous ones, would prove to be of a purely passing character. It is to be hoped that the government has learnt at last from its past experience and will resist this time political pressure to reflate prematurely.

What Is Wrong with Wage Boards?

A Special Correspondent

OF LATE the working of wage boards has come in for much criticism, as both the employers and the trade unions have expressed dissatisfaction, though for different reasons. The National Labour Commission has constituted a committee to study the working of the wage board system in all its aspects. The terms of reference of the committee include the question of implementation of the recommendations of wage boards and its effect both on industry and the consumer prices. Also, at the Standing Labour Committee meeting held on September 30, 1967, a bipartite committee consisting of four representatives of employers and employees under the chairmanship of the Labour Minister for Assam was appointed to consider the changes required in the present wage board system. Both the committees are expected to make their reports shortly. Though the terms of reference of the two committees are not identical it is desirable that there should be some liaison between them so as to get the best results from their deliberations.

In the memorandum placed by the union Labour Ministry before the Standing Labour Committee it was stated, inter alia, that implementation of the wage board recommendations was being secured at present by persuasion as there was no legal sanction for it. The progress, till recently, was satisfactory, but of late the trend has not been encouraging. For example, the interim recommendations of the Engineering Wage Board and the final recommendations of the wage boards for the tea and rubber plantations have not been implemented by a number of establishments. While on behalf of labour the complaint is made of the delay in the finalisation of reports by the wage boards, and demands have been made to give statutory effect to their recommendations, the employers have pleaded that, of late, wage board reports have been far from unanimous, that wages are fixed by workers' representatives and independent members beyond the capacity of a large number of establishments to pay and that the establishments would have to close down if they were compelled to give effect to the recommendations. The wages recommended by the wage boards do not stand on the same footing as minimum wages under the Minimum Wages Act which every employer has to pay irrespective of his capacity. If the recommendations are statutorily enforced, it might result in closure of units which are unable to give effect to them. By adding to the volume of unemployment, it would make the remedy worse than the disease.

Dissatisfied Consumer

The consumer whose interests have been completely ignored by some of the wage boards is also dissatisfied. The wage boards have secured some industrial peace in their respective industries, but at a heavy price. I used the adjective "some" for, even during the deliberations of some of the wage boards, there have been threats of direct action unless the dictated interim relief is given. The workmen in a state went on strike against the recommendations of the wage board for the rubber plantations industry and the government had great difficulty in persuading the employers in agreeing to certain modifications of the recommendations in favour of the workers. The Engineering Wage Board, by a majority, recommended certain flat increases in wages, to which neither the representatives of the employers nor the chairman of the wage board were a party, and the government asked the employers to give effect to the recommendations of the majority, which had recommended certain increases at a flat rate on certain slabs of pay for employees drawing up to Rs 500. In the note of dissent by one of the members it was pointed out that "the proposals appear to have been based on the philosophy that every wage board must give some interim relief to every workman irrespective of the merits or facts of the case. This naturally found support among the labour members but members representing the industry are unable to associate themselves with this approach." Statistics were produced before the wage board to show the difficult conditions through which the industry was passing. The representatives of the workers who appeared before the wage board contended otherwise but did not put forward any evidence to support their contention except balance sheets of some selected companies. The recommendations of the majority were applicable equally (a) to small units as well as large units, (b) to losing as well as prosperous units, (c) to units in which the wages were comparatively high and to units in which they were low, (d) to units which had given increases in wages under awards or settlements during the pendency of the wage board without taking them into account, and to units which had given no such increases. In spite of the patent unreasonableness of such recommendations the overwhelming majority of the employers, at the behest of government, gave effect to these recommendations and thus purchased peace.

Coal Industry's Instance

Take the case of the wage board report for the coal mining industry. The board recommended increases in wages on the basis of the need-based wage (according to the norms laid down by the Fifteenth Indian Labour Conference) for the lowest category of workers and higher wages and dearness allowance for certain other categories. The dearness allowance was linked to the consumer price index so as to give 100 per cent neutralisation of the rise in the cost of living. These recommendations were made subject to the rider that, "we would make it clear that the industry will not be able to implement the recommendations without a consequential and concurrent increase in coal prices fully neutralising their impact on costs of production." The board had already given two interim increases and on each occasion the prices of the various grades of coal had to be increased to enable the industry to give effect to its recommendations. The board also recommended by a majority (the employers' representatives being in a minority) further allowances such as house rent allowance (though the house rent allowance was already included at a liberal rate in the calculation of the "need-based" wage), further miscellaneous allowances and additional leave facilities, the combined result of which would be to further push up prices of coal.

The majority report of the wage board did not even care to assess the increase required in the price of coal. It paid no attention to the necessity, at the present time, of not unnecessarily promoting the inflationary conditions in which wages and prices would be chasing each other. The employers' representatives agreed to the majority report on the assumption that the control price of the various grades of coal would be increased by the government but, as is well known, this assumption proved wrong. It is evident that the interests of the consumer and the consumer industries in fixing the price of a basic commodity such as coal were completely neglected by the wage board, and it is difficult to see how the employers' representatives agreed to sign such a report (albeit with minutes of dissent) at a time when the industry was in a bad way with many units making losses. It is possible that the industry was afraid that if it did not agree, the majority might even recommend a higher wage. The majority of the board, instead of assessing the impact of the recommendation on the cost of production of coal, made the queer statement in the report that control of costs is the primary function of efficient management. In a sense it is true that it is for the management to control costs, but the statement in the context of the large increases in wages, dearness allowance and other allowances proposed by the majority, is meaningless. Surely the majority of the board could not have thought that while it was their business to lay down wages, dearness allowance etc., it was primarily the business of the management to find the means to pay them. It is sufficient to say that all established principles of wage fixation such as the capacity of the industry to pay and the interests of the national economy were ignored by this wage board.

While the Supreme Court in the case of the Reserve Bank (1965 L.L.J. Vol. II p. 175) did not consider that a concern of the status and financial position of the Reserve Bank could afford to pay the "need-based" wage, the Coal Wage Board recommended that this industry, which was in financial straits with little demand for the lower grades of coal, and many units making losses, should pay the "need-based" wage. Further, under the award of the Labour Appellate Tribunal dearness allowance in this industry had been linked so as to secure for a rise of every 10 points in the consumer price index, a reasonable provision, but this wage board thought it right to recommend an increase for every one point in the index. Some of the other wage boards have also done this. It is conceded that there would be a significant change in the cost of living if the index moved up by 5 to 10 points, but all working class families do not spend alike and there is some degree of substitution in purchases if some prices go up. The rise in the actual cost of living of the average working class family is not perceptible unless the index moves up by a few points. Tribunal awards usually link the dearness allowance so as to vary with a movement of 5 to 10 points in the index. Besides it is not desirable that the emoluments of the workers should vary with such frequency with every change—even of one point—in the index.

Iniquitous Distinction

Again it is understandable that the dearness allowance should neutralise the rise in the cost of living to the extent of 100 per cent in the case of workers who may be getting only a subsistence wage, or a little above that, but it is not fair that industrial workers getting well above this level should not be required to share in the burden of inflation falling on all other sections of the community. It is a principle recognised by tribunals and also by the Supreme Court that except for workers getting a subsistence wage the dearness allowance should not provide for 100 per cent neutralisation of the rise in the cost of living as evidenced by the consumer price index. It is also not fair that while famine or drought conditions may bring disaster to agricultural labour, the same national calamities should result in increased dearness allowance to industrial workers so as to protect them completely from increases in the cost of living. It is the consumer who has suffered the most by the recommendations of the wage boards, for the increased expenses in wages and dearness allowance have ultimately to be passed on to the consumer in the shape of increases in the prices of the products. The awards of tribunals and decisions of the Supreme Court have recognised that while ordinarily wages should be fixed on the industry-cum-region principle, this may not always be possible because of the varying capacities of different units, and awards and decisions on wage structure in individual concerns invariably take into consideration the question of the ability of the concern to pay.

It is, therefore, not surprising that the dissatisfaction with wage boards has now grown. The dearness allowance system followed by some of them as well as by some of the tribunals has resulted in the transfer of purchasing power from large sections of the population, whose income is not protected against rise in the cost of living by a link with the consumer price index, to the industrial workers. It is evident that faulty criteria have been used by many of the wage boards.

The real problem is not of implementation of wage board recommendations. The problem is whether the system of wage boards which has worked so unsatisfactorily could be replaced by some other arrangement or whether it could be improved so as to retain some of the advantages and get rid of the defects in the system which past experience has revealed. Among the suggestions which have been recently publicised, one which merits serious consideration is that it is about time that the system of wage boards should be replaced by bipartite collective bargaining which should be given its proper place in industrial relations. In many industries wages have already been determined by the awards of tribunals or by the recommendations of wage boards and the dearness allowance is linked to the consumer price index. In the major industries, strong trade unions have grown up and are in a position to take care of the interests of the workers and bargain with the employers. There is a case also for confining adjudication to cases where the workmen are not effectively organised. If the emphasis on compulsory adjudication is relaxed there will not only be more of real collective bargaining, but also more of voluntary arbitration, rather than the resolution of such disputes through a trial of strength. Under the present system, in spite of the elaborate machinery of the Industrial Disputes Act and other corresponding state Acts and provisions for compulsory adjudication there are already many strikes. Often charters of demands are accompanied by threats of direct action. For example, in the Bombay Docks, in the first seven months of this year, there were 25 strikes, major or minor, some even on issues which are covered in the reference before the Wage Board for Dock Workers.

Another suggestion which also deserves consideration is that the existing wage board system need not be scrapped but should be improved. The composition of the wage boards should be smaller so as to reduce the delays which are caused by the necessity of fixing meetings so as to take into consideration the convenience of so many members. Wage boards should comprise only the chairman and representatives of the workers and the employers. They should be given clear and appropriate guidelines which should include not only consideration of the capacity of the industry to pay but also the interests of the consumer. The National Labour Commission is now examining all aspects of industrial relations and could lay down suitable guidelines for wage boards in the light of the experience gained so far. These guidelines would be found useful by the tribunals also.

Eastern Economist 20 Years Ago

DECEMBER 5, 1947

The Government of India have reversed their decision of only a few weeks ago in regard to sugar. It is now to be decontrolled, and, while the central government have not yet declared the dead-line it is learnt that the UP Government will withdraw control as from December 1, 1947. The demand for decontrol of sugar had been, if anything, more insistent in October last, when Government took that decision than it is now; practically all representative bodies representing the sugar interests had emphasized the need for this step. The step taken by the Government of India, then, must have been based on a full appraisal of the facts. It is, therefore, a little strange that this reversal should have come so soon. It is instructive, in this connection, to examine government's reasons for the refusal to decontrol sugar: an overall shortage of sugar in the country, which cannot be made up by imports from abroad due to lack of foreign exchange; the present effective control over the procurement and distribution of sugar, and the certainty of a rise in sugar prices in the event of the decontrol of the commodity. This would result in a higher price of sugarcane, which in its turn would upset the present levels of foodgrain prices, particularly in the UP and Bihar.

WINDOW ON THE WORLD

Price Information Agreements: An OECD Study

JOSSLEYN HENNESSY

I
WHAT ARE PRICE INFORMATION AGREEMENTS?

LONDON:

THE WIDESPREAD existence of price information agreements between manufacturers in OECD countries and the insufficient knowledge about them, especially about their effects on competition, led the OECD Committee of Experts on Restrictive Business Practices to undertake a study of this relatively unknown field.

The study includes all types of information agreements but deals primarily with agreements on price information. Information was collected from all OECD countries, but the chief sources were Canada, West Germany, the United Kingdom and the United States, where price information agreements have long existed. Since, however, material, especially on the analysis of the economic effects of price information agreements, was found to be scarce, the OECD Committee also carried out a survey of the available economic literature on these and related problems.

Dr Annelies Zisler, Secretary of the Committee of Experts on Restrictive Business Practices of the OECD, says in a summary report published in the latest issue of the 'OECD Observer' that price information agreements (also known as open price agreements) can be defined as agreements entered into between manufacturers belonging to the same economic sector by which they agree to inform each other regularly about past, current and sometimes future prices, and other relevant data, such as costs, discounts, rebates, whereby not only the sellers but also often the buyers are identified. Under the agreement the information is generally reported through a central agency, frequently a trade association, and the obligation to report is often enforced by strict control and by penalties for infringements laid down in the agreement.

Jossleyn Hennessy is on holiday and will resume his reports from Europe in our issue of January 5, 1968.

Although price information agreements exist in most OECD countries, they are a relatively recent development except in the United States and Canada. It is significant that the OECD Committee has found that price information agreements have primarily been formed, or have increased in number, after the adoption of legislation against restrictive business practices in any country. In the United States they have been known since 1911 and first emerged in response to the Sherman Act of 1890. In European OECD countries the number of price information agreements seems to have increased since the mid-1950's when these countries enacted new restrictive business practices legislation or amended their existing legislation which, with the notable exception of Norway, did not specifically cover price information agreements. Thus in those European OECD countries where price agreements fell within the new legislation enterprises often replaced price fixing agreements by price information agreements.

Although price information agreements and their effects on the economy have recently been the subject of keen controversy among economists in West Germany and the United Kingdom, there seems to be a large measure of agreement in modern economic theory about their effects on competition. These effects have not yet, however, been proved by empirical investigation. The OECD Committee has therefore done pioneering work in developing the theory outlined below.

We first need to define the technical term "perfect market transparency". A market is perfectly transparent for the sellers if all sellers know exactly the prices asked and obtained by their competitors, the terms of sale, the quality of their competitors' products and the names of customers.

Price information agreements which aim at "perfect market transparency" may be the means for co-ordinating the behaviour of the suppliers participating in a given market. A price information agreement seems a priori to have a special tendency to influence competition in an oligopoly, owing to the prevailing conditions in such a market, because the greater the degree of recognised interdependence among suppliers and the awareness of these enterprises of one another's marketing strategies, the greater the likelihood that price information agreements will lead to parallel or co-ordinated patterns of market behaviour. In addition, the OECD Committee finds that experience has shown that price information agreements have mainly existed in oligopolistic markets. This being so and because of the growing importance of oligopolies in present-day economies, the OECD analysis covers the effects of price information agreements on oligopolistic markets.

Effective Competition

In an oligopoly, mainly in a pure oligopoly, characterised by (1) closely interchangeable products, (2) a small number of sellers, (3) a strong individual awareness of competition and (4) close interdependence, perfect market transparency, which presupposes the identified reporting of all business transactions to all sellers, generally leads to collective behaviour, and results in a consciously parallel price policy, thus largely paralysing price competition. The OECD Committee therefore believes that a certain amount of imperfect market transparency is likely to be one of the best ways of injecting some effective competition in an oligopolistic market. Imperfect market transparency allows, at least temporarily, concessions to be granted in the form of secret rebates or special terms for individual customers. These secret concessions provide a chance of breaking up, for a time, the rigidity of prices, discounts, and terms of sale, and thus to revive competition. Even if such concessions eventually become known to all competitors, there will always be a time lag before all competitors know and decide what they are going to do, which for some oligopolists will be sufficiently important to make it worthwhile to undermine the existing price rigidity.

It follows that, since price information agreements aim at perfect transparency of the market, secret concessions are precluded and consequently the minimal amount of effective competition to be found on the oligopolistic market is eliminated. The OECD Committee concedes, however, that secret competition is not the ideal economic solution, because discrimination

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cannot be avoided when granting secret concessions. Nevertheless, several economists have come to the conclusion that secret competition is the only way to achieve a minimum amount of effective competition on an oligopolistic market and they therefore advocate that secret competition should be allowed in these circumstances.

II

LEGAL ATTITUDES OF O.E.C.D. COUNTRIES

The OECD survey reveals that (except in Norway) the restrictive business practices legislation of OECD countries does not specifically cover price information agreements. However, in most of those OECD countries in which legislation on restrictive business practices is in force, price information agreements, provided that they correspond to the general criteria laid down in the statute, may fall within the law.

The United Kingdom is at present considering whether specific legislation should be introduced to deal with price information agreements. The previous UK Conservative Government had already announced its intention to introduce legislation. In West Germany, the Federal Cartel Office has for some years been mulling over the applicability of Section 1 of the Act against Restraints of Competition to price information agreements and whether, and to what extent, price information agreements could be legalised as competition rules under Section 28 of the Act.

Since, with the exception of Canada, the United States and the United Kingdom, other governments have only rarely taken action against price information agreements, the OECD Committee drew mainly on the practical experiences of these three countries whose enforcement agencies had made investigations in order to assess whether restraints of competition caused by price information agreements by themselves, or those found linked to wider restrictions, fell within the provisions of the restrictive business practices legislation, and they have in some cases instituted legal proceedings.

In Canada and, especially in the United States, where there is a sufficient body of case law, it has been demonstrated that price information agreements have in fact been the means of co-ordinating the behaviour of the suppliers in a specific market and have thus eliminated competition. Holding that these economic effects were undesirable, the courts have condemned certain price information agreements.

Dividing Line

In the United States, the decisions of the Supreme Court, in the 1920's in particular, demonstrated where the dividing line should be drawn between the legality and illegality of price information agreements under the Sherman Act. Two cases have been held illegal by the Supreme Court.

The first was American Column and Lumber Co. v. United States, 257 US 377 (1921). Through their trade association the defendants, producers of one-third of the nation's hardwood timber, entered into an "Open Competition Plan", under which daily reports of sales and shipments were to be made to the association. These reports were to be "exact" copies of all orders and invoices. Monthly production and stocks were to be reported and each member had to keep up-to-date price lists with the secretary of the association. The secretary had to inform each member company weekly or monthly of all the data of other members. The Supreme Court held that this 'plan' was illegal, found that the conduct of the hardwood manufacturers was not that of competitors but "clearly that of men united in an agreement express or implied to act together and pursue a common purpose under a common guide." The Supreme Court concluded that the fundamental purpose of the 'plan' was to promote among competitors "harmonious" action on production and prices, without any specific agreement, and to rely for enforcement on business ethics and social penalties reinforced by reports which would reveal any recalcitrant member. The facts of the second case—United States v. American Linseed Oil Co., 262 US 371 (1923) did not differ significantly from the Lumber case. It seemed that the trade association had made strong efforts to control its members and to bring dissidents into line.

The next two cases were held legal by the Supreme Court (Maple Flooring Manufacturers' Association v. United States, 268 US 563, 1925 and Cement Manufacturers' Protective Association v. United States, 268 US 588, 1925). The court found that the exchange of information was not designed to provide an indirect method of controlling price or reducing competition and that it did not actually foster uniformity in practice. The court concluded that there was no evidence of an agreement or concerted action.

The inference from these and other adjudicated cases is that a simple agreement to exchange normal business information has usually been treated by United States courts as an understandable and legitimate method of market research. If, however, an information agreement has been concerned with future prices, production or other business activity, undue secrecy on the information collected or exchanged, excessive detail in the revelation of business data to competitors, or emphasis upon uniformity in business practices, then the US courts have viewed such arrangements as circumstantial evidence establishing market collusion. Similar features have led the Canadian Restrictive Practices Commission to infer that an information agreement in violation of the Combines Investigation Act exists.

Contrary to Public Interest

In the United Kingdom, the Restrictive Practices Court has found two information agreements to be contrary to the public interest. The first, which was widely publicised in the British press, concerned the motion alleging contempt of court by eight members of the Galvanized Tank Manufacturers' Association (judgment of 21st June, 1965). After an adverse judgment by the court in 1959 on a price-fixing agreement between the members of the association, the manufacturers entered, after the termination of their price-fixing agreement, into a price notification agreement. They began to give each other, through the association's secretaries, advance information about the price changes that they proposed to make. This resulted in a continuing identity of prices and identical notifications to customers of changes in prices and terms made at the same time. The association admitted two breaches of their undertakings to the court and fines totalling no less than £102,000 were imposed. A similar case, decided on June 17, 1966, involved a "rate notification scheme" operated by the Tyre Manufacturers' Conference Limited. As in the Galvanized Tank case, the manufacturers had enforced an agreement which was declared contrary to the public interest by the Restrictive Practices Court in 1961 and, shortly thereafter, they had entered into a new scheme. The court found that an "arrangement" existed which constituted a registrable restriction, since it involved the acceptance of a restriction creating the same results as that which had existed in the condemned agreement. The court imposed fines of £10,000 on each of the eight companies who were members of the Tyre Manufacturers' Conference Limited.

The OECD study concludes that although practical evidence gathered from litigated cases is not sufficient to draw final conclusions, the evidence points to the same general conclusions as the theoretical analysis, namely that price information agreements facilitate concerted action in certain markets and thus suppress effective competition.

Extravagance Caused Devaluation of the £

E. B. BROOK

VIENNA:

TO WRITE, at this time, of anything other than the devaluation of the £ sterling and of the reactions to it in Europe would be absurdly unrealistic. The need for Europe to work more closely together in technical and business cooperation in face of US commercial and industrial penetration, though ultimately more important, comes second. The atmosphere is vaguely similar to that when there is a sudden death in a family; everything else, even the most pressing matters, are temporarily put aside.

It would be pleasant to be able to write that reaction is kindly and sympathetic. All that it is possible to write is partly what is already known—that the International Monetary Fund, the USA, West Germany and France will finance a further loan to Britain of 1.4 billion dollars, but that France will not join in a further loan of 1.6 billion dollars that is being sought by Britain from US and European central banks.

It is now known also that, apart from Norway, Denmark, Spain and Ireland, no country in Europe is likely to devalue its currency. This will make British purchases on the continent more expensive although devaluation will give a sharper selling edge to British products in Europe. It is possible that, if this selling proves very effective, others will be moved to devalue later.

But what matters most, and what is most unsettling to all because it is basic, is that no one in Europe—and may be elsewhere—feels safe in assuming that this is the end of the devaluation road for the £.

European feeling is that the fundamental trouble with Britain is the current British habit of living extravagantly, far beyond their means, in almost all classes of the community. Only the poor, the elderly living on pensions that buy less and less and often in utterly sub-standard dwellings, are those struggling to live within their scanty means in Britain today. The rest are still living it up in the standards of the affluent society that no longer pertains to the UK.

No Solution

This view has been expressed widely on the continent—in France, Italy and West Germany where the eminent banker, Hermann Abbs, chairman of the Deutsche Bank, said that devaluation was no solution. What the British economy really needed was a lower rate of public spending; this was essential, though difficult, for Britain.

While this grim view is almost universally held of Britain, what is even grimmer and suggestive of an increasingly cold shoulder is that no one in Europe expects this self- discipline to be achieved in Britain. Already a three per cent rise in cost of living in the UK is regarded as immediately certain; what is expected is that the average cost of living there will go up at least five per cent.

But that is not the worst. It is realized on the continent that the British trade unions still demand an expanding economy, that most damaging strikes continue and will go on occurring, that the British will refuse to see their own responsibility for this crisis and will find psychological refuge in blaming others—principally France. The almost certain further rise in unemployment in Britain is considered more likely to produce further sharp left-wing pressure on the Labour government and that the leaders of that government, to survive politically, individualy and as a united party, will, between now and 1970, concentrate more on measures which suit the party rather than on those which Europe considers to be good for their country. The atmosphere, in fact, is a good deal chillier towards Britain than it was a week or two ago and only improbable radical British reforms will make it warmer. There is now more inclination to regard the relatively stone-walling French attitude as, if somewhat pettish, cautious and prudent. With France taking the chair at the European Commission's Council for six months from January the prospect of Britain making any progress towards joining, or even associating with the Common Market are regarded as absolutely nil. There is, in effect, no likelihood of British membership of the Common Market in this decade.

What is also significant in Europe is that, Norway and Denmark apart as fellow applicants with Britain to the Common Market, none of Britain's EFTA partners have followed her in devaluation. Switzerland and Austria have strong currencies, Sweden is not prepared to diminish its prosperity by playing with devaluation and Portugal, though regarded as a poor country, has reserves and a frugal, hard-working population. What, frankly, irks the Europeans about the British nowadays is that, generally speaking, they are regarded as increasingly feckless and lazy, perpetually seeking foreign loans to maintain the £ at an unrealistically high level while continuing to exhibit their characteristic reserved aloofness. This is not altogether true of the British today but it remains sufficiently true to make Europe generally unsympathetic.

Nervous Conditions

The continent is also nervous. There is no certainty here that the £ will be able to maintain even its present reduced value for any considerable length of time. The British government is not trusted, not because it is socialist (so also are the Swedish and Danish governments and those of W. Germany and Italy have socialist coalition partners), but because of the unsavoury reputation of British trade unions as narrowly self-seeking and of British labour as lacking in self-discipline. There is doubt on the continent if the average British worker has any real loyalty except to himself, and even that often short-sighted.

The coming six months of winter and spring will be a time when the British home performance will be very closely watched on the continent. The contents of the British press, which is mostly critical of if not hostile to the government, the trades unions and to the British workman, add to the anxieties and doubts of even the most pro-British Europeans. In their desire daily to berate and belittle their own administration the British press often does a disservice to its country on the continent, never more so than now.

What Britain needs within is a little more charity at home to begin with, more goodwill between its classes and a more obvious effort to work hard. It is unfortunate that the often pleasant British attitude of casualness induces the more concentrated European mind to mistake it for indifference and idleness. In this judgment the European is often wrong; but, for the time being at least, it would be well for all concerned for the Briton not only to work hard but to be seen to be working hard. It would correct many misconceptions and put better heart into Britain's many friends on the continent—not least in France.

Research and the Brain Drain

The Common Market has just taken a hesitant first step to begin to close the technological gap between western Europe and the USA.

For some time there has been anxiety over the fact that Europe was falling an increasingly long way behind north America in the science of business and industry; in other words, that it was becoming increasingly old fashioned in the way it runs business, handles its manufacture and in what it manufactures. The influx of American commercial and industrial interest to western Europe has increased this anxiety although the accompanying injection of up-to-date business and industrial method is generally welcomed. The so-called "brain drain" of talent and knowledge from Europe to the USA was seen to be a direct result of the attractiveness of up-to-date method across the Atlantic.

That the USA has moved ahead quickly and continuously in developing and improving method in commerce and industry is undisputed. There is, however, good reason to think that some of Europe's fears have been exaggerated. For one thing, the "brain drain" is not only the result of opportunity to use and perhaps improve on more modern methods; the principal reason for this "drain" is better salaries in the USA, better living conditions and more liberal prospects of advancement. If Europe would pay its brighter young men better, free them from the almost military overhang of seniors and liberalize advancement the bother of uprooting and resettling that emigration involves would deter many of the most able young European executives from leaving their countries. Nor should it be overlooked that many of the USA's most brilliant scientists and executives are fairly recent importees from Europe and that many of its most efficient new processes are, at least in part, the products of imported European brains.

Internationally-minded American corporations and banks, also, are using Europe as an executive training ground. Americans in their thirties and forties are being given key managing posts in Europe with a freedom of action far greater than they would get at home. This development, in fact, gives many able young Europeans an entirely false idea of working conditions in the USA. The return drift of the "brain drain" is partly a result of this disillusionment. The occasional unorthodoxy of the American business executive in Europe would just not happen in the USA. Problems often arise in Europe, also, that cannot be met by the standard operating procedure that would be applied in the USA.

True in Parts

The idea that Europe lags behind America in industrial and scientific methods is, like most ideas, true only in part. Quite often the reverse is the case. A social scientific adviser to President Johnson who toured Europe last summer to discover the extent of US leadership in technological matters found that Europe fell short in exploitation of ideas, not in ideas themselves. Europe has, for example, in recent years given industry such scientific innovations as the PVC chemical process and the oxygen method of processing steel. The UK has recently improved considerably even on this oxygen method.

But there is great need in Europe for freer circulation of technological knowledge, of modern information systems, mobility of employees and of more forceful management policies. Business is not yet treated sufficiently as a science and it seems like being a long time before European universities offer graduate courses in business management.

This fact provides another instance when the small nation state composition of western Europe is at a disadvantage with the United States and, in a sense, with the Soviet Union and its fairly closely industrially associated allies. Both areas, in their different ways, provide huge markets and have large-scale defence and space programmes that are lacking in western Europe.

There is, however, no reason why small industries cannot perform at high levels. There are several instances of this, notably in Belgium and Scandinavia. Their inevitable close association of personnel often has many advantages over larger concerns in developing technologies. This is particularly true in the highly successful European metallurgical, chemical, radio and photographic fields. In these industries, particularly, European businessmen do not generally express the feeling of restraint or partial frustration that bigger-scale industry sometimes gives vent to. The chief European challenge to US industry continues to be a French-German telecommunications satellite which aims to have a rival to Comsat in orbit by 1970. European development in nuclear power plants, led by England, is also being maintained. The chief problem in Europe remains always adequate and sufficiently prompt and continuous exploitation.

Another American visitor to Europe, a doctor of medicine and pharmacology and president of a big US international combine manufacturing chemical and pharmaceutical products, has been among those stressing that Europe must get into the habit of "remaining aggressive" and of giving up economic nationalism not only between states in Europe but, when opportunity arises, of acquiring technology through direct investment by the USA.

There is need also in Europe to organize research on a continental rather than a national scale. Multi-national company mergers would assist this process and, politics permitting, west-east co-operation in Europe in this matter could save researchers much time and effort and companies and states much money. There is incredible duplication, in fact multiplication, of effort which could be reduced by co-operation and even more by fusion. Nor need this process be exclusively European; it seems reasonable to invite the foremost developer, the USA, to carry out or participate in research projects in Europe also.

Damaging Consequences

The long and short term consequences to Europe of a probably widening US technological leadership could be damaging, if not dangerous. Direct investment by the USA would bring the advantage of new technology, an inflow of foreign currency, a training of labour in new skills and competition stimulus. Fears of the power of American ownership of major industrial developments in Europe seem to be exaggerated when its total private investment is, overall, still less than three per cent. In some countries it is higher, notably in Belgium and the Netherlands where it is at least six per cent.

The Common Market took note of the problem some time ago and last year asked its officials to prepare a report on US technological lead over Europe and to make recommendations. The report was presented in March, but remained officially secret. It was known, however, to recommend means of co-operating with the USA, especially in attracting US patents and licences. In research, stimulus was recommended in the form of government research and development contracts. For technological development inside firms aid was proposed in tax concessions and profit incentives.

Joint and co-ordinated projects among the six Market members were proposed, especially in transport, education and public health. Equality in industrial research between member countries, to avoid economic competitive advantage, was considered desirable. To ensure this, the Brussels officials recommended uniform national subsidies and incentive programmes. This was in marked contrast to the highly competitive character of American corporations' research.

What the Common Market has decided on is less than its experts recommended. Common action in technological development has been accepted in data processing and telecommunications, development of new means of transport, oceanography, metallurgy, meteorology and air and water pollution. On France's suggestion, research on nuclear reactors was added to the list.

There seems to be some anxiety to get technological integration between the six members complete before there is any likelihood of Britain joining the Common Market. The European advance but in so far as it increases possibility of making Market technologically, especially in the nuclear reactor and computer industries. This effort still to maintain the Common Market as a closed circuit is not helpful to general west European advance but in so far as it increases possibility of making Europe more internally co-operative and more up to date, it is welcome.

Austrian Deficit Budget Causes Gloom

THE AUSTRIAN economy seems to have moved into a depression after the presentation of a deficit budget for 1968 by the Finance Minister, Dr Wolfgang Schmitz, on October 23, 1967. Against an estimated revenue of 77.75 billion A.Sch., he presented an expenditure budget of 87 billion A.Sch., anticipating a deficit of approximately 9.25 billion A.Sch. The budget also provided for composite tax increases, particularly on sales and corporate incomes, of approximately 1.9 billion A.Sch.

The reaction to these budget proposals was negative; sales were stilted and earnings showed a downward trend. Capital spending by Austrian industry was cautious and limited. It resulted in (a) a slackening of consumer spending due to the fall in personal incomes and (b) reduced spending by individual entrepreneurs.

The government has indicated that it would attempt to stem these tendencies by deficit spending, particularly from the public sector and by giving active support to the export activities of the national chambers of commerce. The rate of economic growth is expected to remain static at two per cent per annum till the end of the current fiscal year. The business indicators for the period June to September 1967, are given in Table I below.

TABLE I

	1967			
	June	July	August	September
(Million Schillings)				
Money Supply	55,987	57,127	57,692	57,632
Sight Deposits	24,038	24,938	25,670	25,640
Time Deposits	12,764	13,054	13,287	13,124
Savings Deposits	82,116	82,825	83,857	84,461
Loans	112,920	114,385	114,242	114,258
Cash Liquidity of credit institutions	12,886	12,807	12,353	13,492
Gold and foreign exchange holdings	32,989	34,399	36,169	...
Monetary Circulation	43,480	43,246	42,802	43,382
Notes and coins in circulation	33,601	34,200	33,911	33,495
New bond issues	853	164	191	489
Imports	5,327	4,816	4,630	4,768
Exports	4,122	4,060	3,675	4,330
Import surplus	1,205	756	955	438
Foreign exchange receipts from tourism	1,808	2,614	2,702	1,578
Public revenues	6,369	5,750	5,939	7,136
(1958=100)				
General Index of industrial production	155.3	139.6	136.8	...
Employment	107.8	108.8	109.9	109.4
Net Weekly Wages	183.5	178.4	180.0	...
Wholesale prices	123.5	121.9	122.2	121.6
Consumer prices	132.0	132.9	132.8	133.6
Building costs in Vienna	160.0	160.0	160.0	160.0

Imports from the EFTA for the first half of 1967 were valued at approximately AS. 5,357 million, indicating a rise in imports from the area of 9.88 per cent. Imports from the EEC were almost static showing a slight decline of 0.87 per cent compared with the import figures for the corresponding period for 1966. All the countries of the EFTA, except Norway, registered higher exports to Austria compared to the figures for the first half of 1966.

Figures of Austrian imports from the EEC indicated that Italy, Belgium and the Netherlands fared well compared to their exports to Austria in the first half of 1966. West-Germany did not do as well though it registered 12.58 per cent increase over its export figures to Austria for the first six months of 1966.

Imports from eastern Europe showed a general decline of 5.38 per cent compared to the period Jan.-June 1966. The region's share in Austrian imports went down from 8.93 per cent to 8.50 per cent.

Austrian imports from the Soviet Union for Jan.-June 1967, however, increased by approximately 16.6 per cent compared to the corresponding figures for the first six months of 1966. Imports from other east European countries to Austria showed substantial decreases.

Coffee Has the Edge

Austrian imports of coffee (green) for the first half of 1967 were 9333.3 tons—an increase of 11.0 per cent over the coffee imports for the same period in 1966. Brazil was the principal exporter of coffee (accounting for 37.8 per cent of total coffee imports into Austria) followed by Colombia, Costa Rica, El Salvador, West Africa (Portuguese), Kenya and the Cameroons.

The import of tea, however, showed a marginal decline of two million Austrian schillings in value. Compared to the import of 311.1 tons of tea in Jan.-June 1966, only 309.8 tons of tea were imported in Jan.-June 1967. Ceylon and India figured as major suppliers. Indonesia, Formosa, the UK and the Chinese People's Republic also figured as exporters of tea to Austria.

Austria showed an average annual expansion of 8 per cent in exports between 1961 and 1965. Over the last two years, however, the rate of expansion has slowed down to

"And there should be curbs on those trying to defect before handing over the donations to the party."

seven per cent per annum. The main reason was the marginal decrease in Austria's trade with the EEC countries.

In the first six months of the current year, Austria's exports to the EFTA countries increased by 17.3 per cent; to eastern Europe by 19.3 per cent, and to the EEC and other European countries by 19.4 per cent over the figures of 1966. Total exports for the first six months of 1967 registered an increase of 11.6 per cent over the previous years. Significantly, exports to Asia increased by 36.5 per cent. Exports to Africa showed a marginal increase of 1.3 per cent, exports to the USA declined by 6.5 per cent, but there was an overall increase of 3.7 per cent in trade with North and South America. Exports to Australia declined by 21.9 per cent.

Country-wise Analysis

An analysis of Austria's country-wise exports to the EEC and the EFTA areas indicated that in the first half of 1967, Switzerland and the UK from the EFTA emerged respectively as Austria's main export markets,—Switzerland accounting for 8.4 per cent and the UK for 4.99 per cent of the exports.

In exports to the EEC countries, deliveries to France and Italy have been on the increase in the first half of 1967, whereas exports to West Germany, the Netherlands and Belgium declined. West Germany, however, has retained its position as Austria's top importer in the EEC area, accounting for 21.8 per cent of Austria's exports. Italy followed with a share of 12.9 per cent, the Netherlands, France, Belgium and Luxemburg accounting for the remaining exports in that order.

Austria has been developing its export trade, particularly with Greece and South Africa in recent months. Austria is exporting thermal power plants, steel equipment and irrigation machinery to Greece.

Austria's exports to South Africa increased in value from AS. 235 million in 1962 to AS. 318 million in 1966. The figures for the first half of 1967 indicate that this growth in exports to South Africa will be sustained. The main items of Austrian exports to South Africa are machine tools, construction materials and a wide variety of consumers goods, particularly fine textile and lace products.

The Austrian firm, Simmering-Graz-Pauker, has entered into sales contracts with the Netherlands, France, Turkey, Rumania and Poland for supplying steam turbines with generating capacity of 5800 to 6500 kw. The turbines being supplied to eastern Europe are primarily for use in factories producing nitrogenous fertilizers. These are transactions which might be of interest to us in the context of our plans of setting up fertilizer factories.

Machine Fabrik Heid A.G., a Viennese firm manufacturing agricultural machinery, recently exported and assembled a large elevator for storing and drying grain in Iran. The firm is also to export machinery for the construction of a seed grain centre in Iran under the FAO contract. The firm is at present engaged in discussions for the export of grain elevators and mechanical ploughs to a number of west Asian and African countries.

Ruthner Industrieanlagen Vertriebs - gesellschaft m.b.H., an Austrian processed-steel manufacturing firm has reportedly made substantial inroads into the markets of West Germany, Sweden, Spain, Italy and Yugoslavia for the sale of "pickling plants", surface treatment of steel and acid treatment plants. The firm is specially known for the manufacture of electrotype wire pickling plants and for feed water conditioning plants.

The statistics showing the direction of Austria's foreign trade for January-June 1967 are given in Table II.

TABLE II

AUSTRIA'S FOREIGN TRADE (FIRST HALF OF 1967)

(In 1,000 Austrian Schillings)

	Imports	Exports	Major items of import	Major items of export
Europe/EEC Countries				
Fed. Rep. of Germany	12,288,488	4,892,318	Chemical products, textiles, machines and vehicles.	Electrical energy, iron and steel, machines, wood, textiles.
Italy	2,419,451	2,894,699	Fruit and vegetables, textiles, vehicles.	Wood, animals, iron and steel, dairy products.
France	1,240,279	543,291	Chemical products, textiles, machines and vehicles.	Mineral products, machines, electrical equipment.
EFTA Countries				
Switzerland	1,941,756	1,885,494	Chemical products; textiles, machines and watches.	Clothing, wood, textiles, iron and steel, machines and vehicles.
Great Britain	1,983,601	1,119,749	Textiles, metal goods, machines and vehicles.	Dairy products, textiles, machines, iron and steel.
Sweden	697,530	755,659	Machines and vehicles, paper, iron and steel, grain.	Textiles, machines, mineral goods, iron and steel.
Others				
USSR	653,098	718,188	Ores, scrap, fuel, energy, iron and steel, oil and fat.	Mineral goods, clothing, chemical products, textiles.
Yugoslavia	600,181	635,694	Grain, fuel, energy, chemical raw materials	Machines, paper, textiles, iron and steel, wood.
America				
USA	1,077,780	858,947	Machines, tobacco, textiles, optical goods.	Clothing, machines, mineral goods, textiles.
Asia				
India	29,656	98,925	Coffee, tea, spices, textiles, cotton.	Machines, iron and steel, chemical raw materials.
Total	29,778,666	22,443,166		

—An official report from the embassy of India in Austria.

The moving finger writes

THERE ARE those who would deny Mrs Gandhi credit for the firm action in West Bengal. They argue that the Prime Minister was about the last to be persuaded that the dismissal of the United Front ministry had become an imperative of public policy. They may be right in a way. It is probably true that the clear-headed and strong-willed Governor of West Bengal was really the man who brought the central government close to its moment of truth. Had Mr Dharam Vira wavered about the right and duty of government to govern, Mrs Gandhi and her colleagues might perhaps have been inclined to let things drift dangerously. It may also be the case that the Deputy Prime Minister was more readily disposed to underwrite firmness in West Bengal than Mr Chavan or Mrs Gandhi herself. Nevertheless the fact remains that, at the final reckoning, the Prime Minister did not fail to stand up and be counted. As the head of government in a federal system, hers were complex responsibilities and the nation, on the whole, has reason to be satisfied that she took her own time to be convinced that a certain course of action was clearly in the national interest.

* *

Mrs Gandhi's title to our approbation becomes all the more clear in the light of the unenviable position of the Swatantra party which is now lost in a maze of contradictions in its attempt to determine its stand on the ouster of the Ajoy Mukherjee ministry. It is naturally not easy for the Swatantra party to endorse readily the authority of the central government to dismiss ministries in state capitals. At the same time, it is just not open to its leaders to object to communist forces being prevented from subverting state governments from within. In the event, the general council of the party, meeting in New Delhi, sought to accomplish the impossible task of eating the cake and having it by welcoming the dismissal of the United Front ministry in West Bengal while, in the same breath, condemning the central government for making use of governors for installing what it described as "minority governments".

In an effort to reduce these political contortions to some order, Rajaji has laboriously invented an opening for an attack on the central government's action in West Bengal. According to him, the centre should not have stopped with dismissing the United Front ministry, but should have gone on to ban both wings of the communist party in West Bengal. This prescription may be consistent with Rajaji's relentless repudiation of the communist ideology and all its works, but it is not easy to reconcile it with the Swatantra party's tactical alliance with communist groups in Madras state for the purpose of forging a united front against the Congress party in the last general election. It is also permissible to ask why the Swatantra party ministry in Orissa is not showing the way by outlawing communists in that state. In any case, so far as West Bengal is concerned, there is surely much to be said for a strategy of giving the communists a long enough rope to hang themselves with. Should they persist in fomenting violence and disorder or carry out their threat of making it impossible for the legislature and the government to function in the state, then, indeed, would be the time to consider whether the communist groups could be permitted to continue to enjoy the rights and privileges of recognized political parties in a democratic political system.

* *

Swatantra or other critics notwithstanding, the central government has by and large conducted itself with wisdom and propriety in dealing with the recent developments in West Bengal, Haryana and Punjab. The imposition of President's rule, pending a mid-term election, in Haryana, where no group or combination of groups was in a position to form a stable ministry, was as much the right thing to do as the attempt, now being made in West Bengal and Punjab to give representative government another chance to function properly on the basis of the results of the last general election. In Punjab, a certain lack of judgment and a more pronounced lack of tact on the part of the governor concerned have left the outgoing chief minister with some cause for grievance. Dr Pavate clearly exceeded his brief when he impulsively announced that he would first call upon Mr Gurnam Singh to try his hand at forming a new ministry. Since Mr Gurnam Singh had just submitted the resignation of himself and his cabinet because his ministry had lost the support of a majority in the legislature as a result of defections, the Punjab Governor's undertaking was, to say the least, odd—and he was predictably not able to carry it out. Mr Gurnam Singh has complained of having been shabbily treated, but there can be no doubt that his demand for a mid-term poll on that count is rather high-pitched. The new ministry may be a ministry of defectors as he has described it, but it is also true that it cannot survive without more positive virtues and the new Chief Minister, Mr Lachhman Singh Gill, and his colleagues, to whom the Congress party is extending its support, will necessarily be on probation until they can prove that their ministry is more than a creature of the factionalism in the state.

* *

The best days of the late Master Tara Singh had come much before his last days. His greatest contribution to the Sikh community was the fierce struggle he waged to save for it an aggressive political identity in the midst of the Hindu-Muslim battle of wits (and war of nerves) for the spoils of partition. Once that heroic phase was ended, he rapidly became a misfit, continually confused by the new and alien noises of a changed political landscape. He retained to the last, however, a certain patriarchical grandeur and so the semblance of his authority endured long after its substance had dissolved.

* *

Considering our government's propensity to keep swinging from dejection to elation, I agree with Mr S. K. Patil that the ministers in New Delhi should not be permitted to talk themselves into complacency because of a favourable monsoon. It may be that 1967-68 may be a better agricultural year than 1966-67 or 1965-66 was, but it is very much true that most of the long haul of the farm effort still remains to be accomplished. Mr C. Subramaniam had been doing yeoman's service for the cause of a more dynamic agriculture and his defeat at the last general election was therefore a national loss. The Congress could have done a lot for itself as well as the country if that party had the sense to put up Mr Subramaniam as its candidate in the recent by-election for the South Madras parliamentary constituency. Impressive though the majority of votes polled by the successful DMK candidate in that by-election turned out to be, I make bold to say that Mr Subramaniam did have a fair chance of winning that seat for the Congress had he contested on its behalf. There was also a possibility that Mr Subramaniam's unopposed return might have been secured had a tactful approach been made to the DMK leader, Mr Annadurai, by Mrs Indira Gandhi and/or one or the other of her senior colleagues in the Congress party. The benefit to the nation of having Mr C. Subramaniam restored to the Ministry of Agriculture is so obvious that a consensus in favour of his return to Parliament and government could not have been difficult to secure, however sharp or bitter the rivalry between the Congress and the DMK might be. Unfortunately, the Congress is so demoralised that it will be a long time before it rises above its petty worries and anxieties.

V. B.

Trade Winds

MORARJI DESAI'S VISITS ABROAD

IN A statement to Parliament, the Deputy Prime Minister and Minister for Finance, Mr Morarji Desai, stated that the discussions he had with the Japanese Prime Minister, Foreign Minister, Agriculture Minister and the Minister for Planning between August 14 to 22 this year were useful from the point of creating better understandings and better climate for co-operation between the two countries. In September, he had attended the meeting of the Commonwealth Finance Ministers' convened at Port of Spain (Trinidad and Tobago) and the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development held at Rio de Janeiro (Brazil). In the United Kingdom, he had met the Prime Minister, the Chancellor of the Exchequer and other members of the government. He was satisfied with the stand taken by the UK in regard to the replenishment of the resources of the International Development Association at the rate of $500 million per year for the next three years. At the Commonwealth Finance Ministers' conference, the question of international liquidity and replenishment of the resources of the International Development Association engaged the attention of all the delegates. There was general consensus that the outline scheme for creating special drawing rights under the International Monetary Fund to supplement existing reserve assets was a definite step forward. The Commonwealth Finance Ministers were of the view that a definite time limit should be set leading to an early and enhanced level of replenishment of the resources of the International Development Association. These very two points were re-asserted at the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development. Mr Desai stressed in his address to the IMF and the World Bank that the specific outline of the facility to meet the need for a supplement to the existing reserves was a kind of compromise which was inevitable in international undertaking. He welcomed it because the scheme would be operated within the trusted framework of the Fund and because it would apply uniformly to all members of the Fund. He saw a definite link between the creation of international liquidity and the pursuit of more liberal trade and aid policies on the part of the rich countries.

DEVALUATION OF POUND

The devaluation of the pound sterling by 14.3 per cent with effect from 3.00 a.m. IST on November 19 has been followed by readjustments of the parities of quite a large number of currencies of various countries all over the world. Among the first to follow suit were Ireland, Denmark and Israel, all of whom have devalued their currencies to the same extent; the other countries which have joined them so far are Cyprus, Guyana, Zambia, Malawi, Malta, Fiji, Jamaica, Bermuda, Trinidad and Tobago, and Hong Kong. Spain, Ceylon and New Zealand have also devalued their currencies but by 16.6 per cent, 20 per cent and 19.45 per cent respectively. The countries which have decided against devaluation are: the USA, Canada, the European Common Market countries (West Germany, France, Italy, the Netherlands, Belgium and Luxemburg), Sweden, Norway, Switzerland, Austria, Greece, Japan, Australia, the UAR, Ghana, Kenya, Uganda, Tanzania, Kuwait, Bahrain, Brunei, Iraq, Malaysia, Singapore and Nepal. Pakistan, which has also decided not to devalue its currency, has, however, abolished its 10 per cent export duty on jute and cotton, obviously in an endeavour to counter the likely effects of the devaluation of the pound. The immediate reaction to Britain's devaluation announcement in Canada and the USA was an increase in their respective Bank rates from five to six per cent and from four to 4.5 per cent.

After having devalued the Hong Kong dollar by 14.3 per cent in the wake of the devaluation of the pound, the Hong Kong government revalued its currency by 10 per cent following strong criticism by business circles. The new rates of exchange are: US $=6.06 HK $ and £=14.55 HK $.

Sierra Leone's currency—the leone—has been devalued by 20 per cent. A leone will now be equal to US $1.20 as against US $1.40 earlier.

The new exchange rate of the pound is $2.40 to a pound sterling as against $2.80 before devaluation. The par value of the Indian rupee remains unchanged at 0.118489 grams of fine gold per rupee and its value in terms of the US dollar continues to be Rs 7.50 per dollar. The following are the new rates (alongside the old rates) at which the Reserve Bank of India now buys and sells sterling for Indian rupees:

	New Rates	Old Rates
Buying:	Rs 100 = £5.6111111	Rs 100 = £ 4.8095238
Selling:	Rs 100 = £ 5.5000001	Rs 100 = £ 4.7142858

Simultaneously with its devaluation announcement, the United Kingdom also made public that it had already arranged unspecified credit with the central banks of various countries and had asked the IMF to give it a credit of $1,400 million. This credit has been approved and the total new resources available to Britain add up to $3,000 million. In addition to this, the British government has announced the following major new austerity measures over and above those already in force: The Bank rate has been raised from 6.5 per cent to eight per cent, the highest ever since 1914 when it was fixed at 10 per cent; defence spending is to be cut by more than £100 million next year; public spending at home, including capital spending on nationalised industries, is also to be cut by £100 million; a saving of another £100 million will be effected by scrapping the export rebate of manufacturers; a further £100 million or more will be saved by withdrawing the special premium which the manufacturers had been receiving under the payroll tax (selective employment tax); hire-purchase restrictions on buying cars are to be severely tightened; banks have been ordered to restrict all loans, except those to priority sectors; and the corporation tax is to be raised from the existing 40 per cent to 42.5 per cent.

EXPORT DUTIES IN CEYLON RAISED

Following the devaluation of its currency, Ceylon has increased the export duties on a number of commodities in order to siphon away a part of the increased earnings of the exporters. The new rates of export duties are:

Tea—Rs 40 for 100 pounds instead of Rs 35.

Rubber—Three cents a pound in addition to any duties payable under the existing sliding scale (at the moment it is "nil" due to low prices of rubber).

Cinnamon quills—Rs 50 for 100 pounds as against Rs 15.

Cocoa—Rs 30 for 100 pounds as against Rs. 5.

Coconut—On a higher sliding scale which is based on the c.i.f. prices of the Philippines copra on the London market.

INDIA AND WEST GERMANY

At the invitation of the Prime Minister of India, Mrs Indira Gandhi, the Chancellor of the Federal Republic of Germany, Dr Kurt Georg Kiesinger, paid an official visit to this country from November 20 to 22, 1967. This was the first official visit by a Chancellor of the Federal Republic of Germany to this country. The two heads of government, assisted by their respective officials, held discussions on the international situation, including east-west relations, disarmament and security, and Indo-German relations.

In order to enable a continuing exchange of views, the two heads of government agreed that the Foreign Ministers of India and of the Federal Republic of Germany, or their representatives, should meet once a year, alternately in Bonn and in New Delhi, to discuss questions of mutual interest and concern. Mrs Gandhi expressed her appreciation of the economic and technical co-operation with West Germany.

She explained to the Federal Chancellor the situation in regard to Indo-Pakistan relations and the desire of the Indian people to live in peace and co-operation with their neighbour in the spirit of the Tashkent Declaration. The Federal Chancellor took note of the Indian position and expressed the hope that Indo-Pakistan problems would be settled peacefully.

UTILISATION OF EXTERNAL ASSISTANCE

The amounts for which agreements have been signed, value of overseas orders placed and amounts disbursed against foreign loans and credits as at the end of June, 1967, are given below:

(Rs. in crores at post-devaluation rate)

Name of the lending country/institution	Amounts for which agreements have been signed up to June 30, 1967	Value of equipment/stores ordered up to June 30, 1967	Loan amount disbursed up to June 30, 1967
Austria	16.38	14.52	11.90
Belgium	18.89	13.54	7.72
Bulgaria	11.25	—	—
Canada	114.87	73.26	58.52
Czechoslovakia	99.33	63.50	34.32
Denmark	7.06	6.69	4.84
Federal Republic of Germany	743.80	762.50	611.72
France	102.75	77.48	35.03
Hungary	25.00	—	—
Italy	153.01	95.33	18.53
Japan	307.09*	293.44	216.04
Netherlands	41.29	38.84	22.77
Poland	65.05	26.05	19.01
Sweden	6.96	3.17	2.12
Switzerland	36.02	22.56	17.18
United Kingdom	663.60	628.81	560.66
USA (Other than PL 480)	2379.43†	2044.00	1946.99
USSR	1021.13	699.20	490.67
Yugoslavia	93.75	28.31	21.23
IBRD	748.18	648.85	631.66
IDA	667.01	586.25	496.82
Total	7328.60	6036.30	5207.76

* Includes Japanese ad hoc credit of 1959 amounting to Rs 13.61 crores (post-devaluation) which is fully disbursed.

† Excludes amount of Rs 31.01 crores (post-devaluation) made available from PL 665 counterpart funds in the three development assistance loans.

Note: This statement excludes (i) commodity assistance under PL 480 and PL 665; (ii) drawings from IMF; (iii) Kuwait loan of Rs 53.84 crores and Bahrain loan of Rs 12.36 crores (post-devaluation) on account of repatriation of special Indian notes which were in circulation as legal tender in the respective countries; and (iv) grant assistance.

IMPORT OF NYLON YARN

The Government of India has allotted an additional sum of three crores of rupees to the State Trading Corporation (STC) for the import of nylon yarn. Together with the earlier allotment of six crores of rupees to the STC for this purpose, the total imports of nylon yarn for the year are expected to be of the order of 6.3 million kilograms. Indigenous production of nylon yarn at present is about 2.5 million kilograms and this is expected to progressively increase to about six million kilograms within the next few months. Thus the total availability of nylon yarn of different deniers is expected to be appreciably higher than the quantity of 7.9 million kilograms available in 1964 when the erstwhile export promotion scheme was in force and the import level of nylon yarn under the scheme had reached its peak.

The Government of India has devised a procedure for ensuring equitable distribution of yarn to the users. Under the new scheme, it has been decided that the prices at which these items will be sold at weavers' point (including sales tax and octroi) shall be as under:—

20 denier monofilament yarn semi dull		Rs. 110 to Rs. 112.50 per kg.
15 denier semi dull	...	Rs. 125 per keg.
20 denier twinkle	...	Rs. 132.50 per kg.
15 denier twinkle	...	Rs. 152.50 per kg.

The Industries Commissioner, Gujarat, will send to Nirlon Synthetics and J. K. Synthetics a list of new customers indicating the powerlooms they hold and their requirements on the basis of 1.7 kg. per month per loom. These lists will be treated as priority lists by the two indigenous producers and on receipt of these lists, the two indigenous producers will supply to this list of new customers monofilament nylon yarn at 1.7 kg. per loom per month and the minimum quantity of the first supply will be one carton of 12 kgs. each to be adjusted against future supplies. The Commissioner of Industries, Gujarat, will supply the lists of new customers to Nirlon Synthetics and J.K. Synthetics in the proportion of their existing production and the allotment lists to these two firms will follow the ratio of their production, viz. 850,000 kgs. to 500,000 kgs. On receipt of these lists of new customers, Nirlon Synthetics and J.K. Synthetics will adjust and rephase the supplies of their existing customers in such a manner as to ensure that the supplies to the new-comers are not in any circumstances withheld, ensuring at the same time that the existing customers continue to get a minimum supply of 1.7 kg. per loom per month.

Within a week of receipt of these allotment lists from the Commissioner of Industries, Gujarat, both Nirlon Synthetics and J.K. Synthetics will issue to the allottees the quantities allotted to them. The allottees should confirm the allotment within a week of receipt of the intimation and should lift the quantities within 15 days from the date of confirmation of allotment. Any such quantities not lifted by the customers shall be brought to the notice of the Commissioner of Industries, Gujarat, who will direct the manner of disposal of the unlifted stock. In the event of non-lifting within the specified time even after confirmation of allotment, the producers will be free to dispose of these quantities to their existing customers. The two main producers will supply fortnightly statements of the supplies effected against these allotments to the Industries Commissioner, Gujarat, and the Collector of Surat. A committee under the chairmanship of the Commissioner of Industries, Gujarat, shall watch the smooth functioning of this new scheme of distribution and will also ensure that the yarn so supplied is used in the manufacture of nylon fabrics and is not resold by the allottees.

PARTIAL CONTROL OF SUGAR

In pursuance of the policy of partial control of sugar announced on August 16, 1967, the Government of India released 100,000 tonnes of sugar to the state governments on

November 23, 1967, for distribution at fixed prices mainly to the domestic consumers. The government has simultaneously released another 66,000 tonnes of sugar for sale by factories in the open market. Both these releases, for the month beginning November 23, 1967, are out of the production of 1966-67. The free sale sugar has been released to factories which have already gone into production or which are expected to go into production in the near future. The factories can sell the free sale sugar to any dealer licensed to deal in sugar released for sale in the open market, under the order relating to licensing of sugar dealers for the time being in force in a state or union territory. There will be no restriction on the transport of the free sale sugar from the factory to any place within or outside the state in which the factory is located. However, after the sugar has so moved to its destination, if a licensed dealer wants to transport any part of it to any place outside his state, he will have to obtain a permit for movement of such sugar from the government of the state in which the stocks are held.

PETROL RETAIL OUTLETS

The report of the Retail Outlets Committee, appointed by the Government of India in June 1966 to look into the growth of oil companies' retail pumps (petrol and diesel filling stations), was submitted to the Minister for Petroleum and Chemicals, Mr Asoka Mehta on November 14, by the committee's chairman, Mr R.R. Morarka. The committee's report is unanimous. It has recommended that 95 per cent of the new retail pumps in the next five years till 1972, should be set up by the public sector Indian Oil Corporation (IOC), the remaining five per cent being shared between all the private oil companies. The committee has assessed that the number of additional retail outlets required in the five-year period (between 1968 and 1972) will be 3063 (612 each year).

Another important recommendation of the committee is that relating to a deliberate slowing down of the number of retail outlets (pumps) with a view to improving the utilisation of the existing outlets by 10 per cent in Delhi and Calcutta, 25 per cent in Madras, 10 per cent in other larger cities and 17.5 per cent in the rest of the country.

On the question of inter-company adjustments in the existing outlets, the committee has been able to bring about unanimity, which would enable the IOC to take over, in an orderly manner, the existing retail outlets of the other oil companies on public land in cities with a population of 250,000 and above.

INCREASED CONTRIBUTION TO E.S.I.C.

The union Minister for Labour, Employment and Rehabilitation, Mr Jaisukhlal Hathi, announced at a recent meeting of the Employees' State Insurance Corporation that the employers had agreed to increase their special contribution by half per cent from April 1, 1968. This increase will give the corporation an additional revenue of Rs 3.22 crores per year. The additional revenue will not only help to maintain the present tempo of capital construction, but also permit the speeding up of the programme of extending the scheme to other categories of workers and providing full medical care to members of families of insured workers. The number of insured persons covered by the scheme is now over 3.55 million and the total number of beneficiaries for medical benefit more than 13.1 million.

HINDUSTAN INSECTICIDES

The Hindustan Insecticides Limited—a public sector undertaking has declared payment of six per cent dividend on its paid-up capital of Rs 1.25 crores. A cheque for Rs 7,52,820, representing this dividend, was presented to the Minister for Petroleum and Chemicals and Social Welfare, Mr Asoka Mehta, by Mr Mohd. Fazal, Managing-Director of the Hindustan Insecticides, on November 21. Mr Fazal has stated that the factory had successfully developed the production of hydrated calcium silicate as an import substitute for microcel E, hitherto imported from the USA. Following the measures taken for the economic recovery of by-products, sulphuric acid, hydrochloric acid, ethyl chloride and chloral hydrate are now being manufactured and marketed by the HIL. Practically, the entire requirement of these items was hitherto being imported and their production locally would lead to saving in foreign exchange. A beginning had been made in regard to exports and two trial orders from Europe for chloral hydrate have been completed; some more orders have also been received.

Currently, the scope for collaboration in setting up complete DDT plants in neighbouring countries such as Ceylon, Indonesia, Thailand and Malaysia are being explored by the company. The Hindustan Insecticides is advantageously placed in this respect with its experience of the necessary technology and design and engineering work.

The total reserves and surplus of the company as on March 31, 1967, stood at Rs 140.36 lakhs. The profits (including provision for taxation) for 1966-67, formed 37.8 per cent of the paid-up capital of Rs 125.47 lakhs of the company. Out of the profits of Rs 47.42 lakhs before taxation (as against Rs 41.28 lakhs in 1965-66), a sum of Rs 20 lakhs has been set apart to meet the income-tax liabilities of the company, and a sum of Rs 15 lakhs for transfer to the general reserve. The company would finance its expansion programme (two new projects) in full, out of its internal resources. The annual sales turnover in 1966-67 stood at Rs 186.86 lakhs as against Rs 162.70 lakhs in 1965-66.

I.M.F. CREDIT FOR BURMA

The International Monetary Fund has approved a drawing by the Burmese government of the equipment of $7.5 million to assist it in meeting balance of payments difficulties caused by a temporary drop in export earnings during the 12 months ending September 30, 1967. Burma's rice exports declined sharply during the period because of extensive crop damage caused by unfavourable weather.

CENTRAL GOVERNMENT WORKING HOURS

The Government of India has decided to revert to the pre-emergency working hours in its civil offices in Delhi from December 1, 1967. The decision has been taken in consultation with the national council set up under the scheme for Joint Consultative Machinery and Compulsory Arbitration. The new working hours of the central government offices in New Delhi will be: (a) ministries and departments (excluding Ministry of Defence) from 10-15 a.m. to 5-15 p.m. (with half-an-hour break for lunch from 1-30 p.m. to 2-00 p.m.); and (b) attached and subordinate offices; from 9-30 a.m. to 4-30 p.m. (with half-an-hour break for lunch from 1-00 p.m. to 1-30 p.m.). Working hours in the civil offices of the Government of India located outside Delhi will also be reduced by half an hour a day.

Company Affairs

JAY SHREE TEA

KALLYAR TEA Estate in the Coimbatore district of Madras State, belonging to Jay Shree Tea & Industries Ltd, has established a record yield of 2,728 kgs of tea per hectare in 1966. Judging by all available information, the present yield also sets up a new world record. The Indian Tea Board has awarded a trophy to the Kallyar Tea Estate in appreciation of this achievement. The award, newly instituted, will be a regular annual feature from now on and will provide incentive for higher production to Indian tea growers. The record yield of the Kallyar Tea Estate has been achieved over a number of years as the figures below indicate.

Year	Yield in Kg/Hec.	Year	Yield in Kg/Hec.
1946	745	1956	1375
1947	830	1957	1526
1948	939	1958	1670
1949	1001	1959	1639
1950	1063	1960	1657
1951	1154	1961	1753
1952	1158	1962	1637
1953	1251	1963	2001
1954	1828	1964	2113
1955	1693	1965	2489
		1966	2728

Sustained work by the staff and workers of the estate, generous incentives offered by the owners and substantial ploughing back of capital resources have helped the estate to achieve this international distinction. The fertility of the soil and yield potential of the fields instead of declining over the years, has been increased and revitalised. Sound knowledge and experience in tea cultivation, latest scientific techniques, use of improved fertilisers—all these have helped the estate to raise its productivity.

BROOKE BOND

The Brooke Bond India Ltd has converted itself into a public limited company from October 31, 1967, and has issued 1,675,000 equity shares of Rs 10 each. The issue will open on December 4 and close on December 14 or earlier at the discretion of the directors, but not before December 8, 1967. Of this total, the directors of the company have reserved 167,000 shares for subscription by employees of the company, according to Mr J. G. Robinson, chairman and managing director of the company. The company had increased its exports from Rs 7 crores in 1958 to over Rs 15 crores now.

I.C.I.C.I.

The subscription list in respect of the Rs 6 crore debenture issue of ICICI Ltd closed on November 11, having been over-subscribed. The allotment of debentures has been made and the debenture certificates have been despatched to the allottees, reports the ICICI.

MARTIN BURN

Martin Burn Ltd has obtained the sanction from the Controller of Capital Issues for issuing ordinary bonus shares in the ratio of one-for-two by capitalizing the necessary amount out of the share premium account and free revenue reserves of the company. It is proposed to ignore fractions when allotting the bonus shares to those entitled to the same and to allot bonus shares representing the total of such fractional entitlements ignoring the resulting half share to a nominee of the company, so that such bonus shares may be sold and the net sale proceeds distributed amongst those entitled to factions of shares.

CHEMICALS AND FIBRES

The directors of Chemicals and Fibres of India Ltd have proposed a final dividend of Rs 1.65 a share for the year ended September 30, 1967, subject to deduction of tax. The dividend is payable on or after December 29, 1967, to members on the register as on December 13, 1967. The preliminary figures released by the company disclose a substantial improvement in the sales from Rs 745 lakhs to Rs 956 lakhs. The net profit is higher at Rs 204 lakhs compared with Rs 194 lakhs in the previous year. The tax liability is estimated at Rs 77 lakhs against Rs 49 lakhs in the previous year.

J. K. SYNTHETICS

The directors of J. K. Synthetics propose to issue bonus shares in the proportion of one share for every three shares held by capitalising Rs 50 lakhs from the reserves. The issue is subject to the sanction of the Controller of Capital Issues.

WEST COAST PAPER

The directors of the West Coast Paper Mills Limited have recommended a dividend of Rs 10.50 a share, for the year ended June 30, 1967, against Rs 14 a share paid last year. The proposed dividend is on the increased capital of the company. Their gross profit is lower at Rs 125.91 lakhs compared with Rs 146.21 lakhs in the previous year, in spite of a record production of 35,575 tonnes against 34,123 tonnes in the previous year. The company's sales have increased to Rs 518.52 lakhs against Rs 495.73 lakhs in the previous year. Other allocations are Rs 48.37 lakhs to depreciation and Rs 46.50 lakhs to taxation. The proposed dividend on equity shares will absorb Rs 21 lakhs. The lower earnings are attributed to the continuous increase in costs, such as rise in the prices of fuel and chemicals, packing materials, salaries and wages, freight and transport and other services. The profitability of the company would have been further affected but for the continuous improvements in the process and high standard of productivity in the working of the plant and machinery.

INDEQUIP ENGINEERING

The Indequip Engineering Ltd will enter the capital market on December 4, 1967 with an issue of Rs 13 lakhs for public subscription. The subscription list will close on December 7, 1967. The present issue is made up of 10,000 (9.5 per cent) cumulative redeemable first preference shares of Rs 100 each and 3,000 equity shares of Rs 100 each. The present issue has been underwritten. The company is at present manufacturing sizing machines, warping machines, drying ranges, conversion of conventional sizing machines into multi-cylinder sizing machines, and oil lubricating rotor pumps. The factory is situated at Naroda (Ahmedabad). The company intends to diversify its activities and in that direction it intends to manufacture ring spinning frames in collaboration with M/s Brevets Aero-Mechaniques, Switzerland and kopp speed variator in collaboration with M/s Jean E. Kopp, Switzerland. The company has already started the manufacture of ring spinning frames and the first frame is expected to be delivered by the end of November 1967. In India, textile mills are equipped with conventional type of ring frames, most of them are quite old and need renovation. Demand for high speed ring frames is quite large compared to the production made in the country.

A.C.C.

The directors of the Associated Cement Companies Ltd have proposed to maintain the equity dividend at Rs 12 per share for the year ended July 31, 1967. This year's dividend is, however, payable on the increased capital resulting from the bonus issue made last year in the ratio of one new share for every six shares held. The directors have also proposed to issue fresh capital of Rs 474.73 lakhs in equity shares of Rs 100 each at par to be issued as rights shares to the existing share-holders in the ratio of one new share for every five shares held. The necessary resolution will be placed before the annual meeting to be held on January 25, 1968.

TRACTORS (INDIA)

Tractors (India) Ltd has shown encouraging working during the year ended June 30, 1967, with higher sales at Rs 3.27 crores and gross profit of Rs 51.69 lakhs. After providing Rs 1.61 lakhs for depreciation, Rs 3,700 for development rebate reserve and Rs 33.05 lakhs for taxation, the net profit is also higher at Rs 16.99 lakhs. A sum of Rs 11 lakhs has been transferred to general reserve and Rs 9.92 lakhs to dividend reserve. Equity dividend at Rs 1.70 per share of Rs 10 each has been declared against Rs 2.25 per share for the previous year. This year's dividend is, however, payable on the bonus shares issued in June last year. The company has introduced a parts assembly exchange scheme. The progress of the products division was slow owing to recession and tight money. The company expects to maintain its trading activities at a reasonable level.

TUBE INVESTMENTS OF INDIA

Tube Investments of India Ltd, Madras, proposes to issue to the public 15,000 (7.75 per cent) first mortgage debentures 1978-1984 of Rs 1,000 each (Rs 1.50 crores) at par. The entire issue will be underwritten. The company has an authorised capital of Rs 7 crores (Rs 5 crores in equity shares of Rs 100 each and Rs 2 crores in redeemable preference shares of Rs 100 each). The issued and paid-up capital is Rs 3.75 crores in equity shares. It has so far not issued any preference shares. The proceeds of the present issue will be utilised for financing a part of the expansion programme. The expansion plans are expected to cost about Rs 260.49 lakhs which will be met by the debenture issue (Rs 150 lakhs), loan from the CDFC (Rs 28.50 lakhs), loan from the ICICI (Rs 29 lakhs) and internal resources (Rs 52.99 lakhs). The capacity of cycles will be raised from 75,000 in 1967-68 to 150,000 in 1969-70, of components from 90,000 to 300,000 sets and of cold drawn welded tubes from 1.7 million metres to 4.8 million metres.

The company has shown a net profit of Rs 40.69 lakhs for the year ended July 1967 against Rs 40.19 lakhs in the previous year after providing Rs 40.75 lakhs for depreciation, Rs 31.24 lakhs for development rebate reserve and Rs 45.25 lakhs for taxation. With the carried-forward amount, and with the excess provision for development rebate reserve for last year amounting to Rs 6.95 lakhs and after allowing for additional tax liability for prior years totalling Rs 4.70 lakhs, the total sum available for appropriation is Rs 42.95 lakhs. General reserve gets Rs 42.90 lakhs. The directors have proposed a dividend of Rs 10 per share on the increased capital. The dividend paid last year was 12.5 per cent.

KAYCEE INDUSTRIES

Kaycee Industries Ltd proposes to step up its equity dividend for the year ended June 30, 1967, to six per cent from five per cent for the previous year. The company's gross profit for the year has risen modestly from Rs 5.45 lakhs to Rs 6.09 lakhs following an increase in sales from Rs 82.05 lakhs to Rs 1.26 crores. The allocations are: depreciation Rs 1.15 lakhs, taxation Rs 3.39 lakhs and development rebate reserve Rs 8,000. The proposed equity and deferred dividends, the latter at the rate of six per cent, will absorb Rs 1.48 lakhs against Rs 1.11 lakhs the previous year.

CAPITAL AND BONUS ISSUES

Consent has been accorded to six companies to raise capital amounting to more than Rs 1.93 crores. Four of them are to issue bonus shares exceeding Rs 58 lakhs. The amount of bonus shares ranges between Rs 1 lakh and Rs 43.96 lakhs. The consents are valid for 12 months. The details are as follows:

Shree Meenakshi Mills Ltd., Madurai, has been accorded consent to capitalise Rs 43,96,080 out of free reserve and issue fully-paid equity shares of Rs 20 each as bonus shares in the ratio of one bonus share for every one equity share held.

Rajapalayam Mills Ltd, Rajapalayam (Madras State), is permitted to capitalise Rs 10,76,200 out of general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of two for three held.

New Standard Chemicals Co. Pvt. Ltd, Bombay, is allowed to capitalise Rs 2.8 lakhs out of free reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of four for five shares held.

Ram Kay Eng. Co. Pvt. Ltd, Delhi, has been given consent for the capitalisation of free reserve of the company to the extent of Rs 1 lakh and issue of bonus shares of Rs 100 each in the ratio of two for five held.

Andrew Yule & Co. Ltd, Calcutta, is permitted to issue shares worth Rs 45 lakhs of which Rs 40 lakhs will be in equity and Rs 5 lakhs in 9 per cent preference shares. Of these, equity shares of Rs 10 lakhs and 9 per cent preference shares of Rs 5 lakhs would be issued to Davidson and Co. Ltd, UK, on the amalgamation of Davidson of India Pvt. Ltd, Calcutta, with Andrew Yule & Co. Ltd, as approved by the Calcutta High Court. The remaining equity shares of Rs 30 lakhs would be offered to the Indian public for cash at par. The proceeds will be utilised for the operation and development of business on the amalgamation of Port Engineering Works Ltd, and Davidson of India Pvt. Ltd, with Andrew Yule & Co. Ltd. Permission has also been granted to some members of the latter company for offering their holdings in its equity and preference shares of a total value of Rs 72.69 lakhs (nominal) to the Indian public for cash.

Durgapur Iron Works Ltd, Calcutta, is allowed to issue Rs 90 lakhs for cash at par. Of this, Rs 75 lakhs will be issued in equity shares of Rs 10 each and Rs 15 lakhs in 9.5 per cent redeemable preference shares of Rs 100 each. The proceeds will be utilised for the manufacture of pig iron.

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 October 21, 1967. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (N.U.); New Articles (N.A.); Substantial Expansion (S.E.); Carry on Business (C.O.B.); Shifting—and annual installed capacity.

During the Week ended October 14, 1967

LICENCES ISSUED

Equipment for Generation of Electricity

M/s The Aluminium Industries Ltd, 1, Ceramic Factory Road, Kundara (Kerala). (Kundara, Kerala State): Circuit Breakers above 33 Kv and up to 66 Kv—75 Nos.; Instrument Transformers: Current Transformers for 66 Kv range—225 Nos.; Potential Transformers for 66 Kv range—75 Nos.; Isolating Switches above 33 Kv and up to 66 Kv (Motor operated type)—75 Nos.—(N.A.).

LETTERS OF INTENT

Electrical Equipment

M/s Philips India Limited, 7, Justice Chandra Madhab Road, Calcutta-20. (Maharashtra): Carbon Film Resistors—From 13.2 to 30 million nos.; Electrolytic Capacitors—From 1.92 to 7 million nos.; Poleyster Capacitors—From 3.84 to 15 million nos.; Ceramic Capacitors—From 9.6 to 25 million nos.; Long Life Electrolytic Capacitors—0.7 million nos.; High Stability/Precision Carbon Resistors—5 millions nos.; Precision Wire Wound Resistors—0.15 million nos.

LICENCES REVOKED OR SURRENDERED
(Information pertains to particular licences only)

M/s Textile Machinery Corporation Ltd, Calcutta.—Centrifugal Machines and Heat Treatment Equipment for Sugar Industry.

During the Week ended October 21, 1967

LICENCES ISSUED

Iron and Steel Pipes

M/s Tube Products of India "TIAM" House, Post Box No. 1357, 11/12, North Beach Road, Madras-1. (Madras, Madras State): E.R.W. Tubes—30,000 tonnes—(S.E.).

Products of Iron and Steel

M/s Indian Oxygen Ltd, 1, Taratala Road, Calcutta-53. (Kharda, 24 Parganas, West Bengal): Automatic Submerged Arc Electrodes—Capacity to be fixed after watching production for another six months.

Coal

M/s Waliram Taneja & Co. (West Mudidih Colliery), P.O. Dhanbad (Bihar). (Dhanbad, Bihar): Coal—219,000 tonnes—(S.E.).

Mineral Oil

M/s Burmah Shell Refineries Ltd, P.O. Box No. 1725, Bombay-1. (Bombay, Maharashtra): Aviation Gasoline—100/130—50,000 tonnes. (N.A.).

Electrical Furnaces

M/s Binny's Engineering Works Ltd, Post Box No. 1111, Meenambakkam, Madras-61. (Madras, Madras State): Electric Smelting Furnaces—2 Nos. (on maximum utilisation of plant)—(N.A.).

Automobiles

M/s Standard Motor Products of India Ltd, 29, Mount Road, Madras-2. (Madras, Madras State): Standard 1-ton Truck—3,000 Nos. after expansion—(S.E.).

Chemical Machinery

M/s Bharat Heavy Plate and Vessels Ltd, G-7, South Extension Part II, Ring Road, New Delhi. (Visakhapatnam, Andhra Pradesh): Light Columns—300 tons; Medium Columns—600 tons; Heavy Columns—4,200 tons; Other vessels—3,600 tons; Storage vessels—1,100 tons; Furnaces—1,000 tons; Vessels with Stirrer—210 tons; Other equipment—700 tons; Heat Exchangers—2,750 tons; Pipe Fabrication—4,500 tons; Technological structure—1,000 tons; Spare Parts—250 tons; Dished Ends—3,000 tons; Total—23,210 tons. The above includes 1000 tonnes of stainless steel vessels also.—(N.U.).

Plastic Moulded Goods

M/s Dunlop India Limited, Dunlop House, Calcutta-16. (Sahaganj, Distt. Hoogly, West Bengal): Polyvinyl chloride Spiral Hose of sizes ½" to 10"—195 tonnes—(N.A.).

Inorganic Heavy Chemicals

M/s Phillips Carbon Black Ltd, 56, Jor Bagh, New Delhi-3. (Durgapur, West Bengal): Carbon Black (Furnace Type)—4,450 tons—(S.E.).

Synthetic Resins & Plastics

M/s Chowgule & Co. (Hind) Private Ltd, Allahabad Bank Building, 4th Flour, 17, Parliament St., New Delhi-1. (Bombay, Maharashtra): Synthetic Resins—2,088 tonnes after expansion.—(S.E.).

LETTERS OF INTENT

Electrical Equipment

M/s Philips India Ltd, 7, Justice Chandra Madhab Road, Calcutta-20. (Maharashtra): Carbon Potentiometers—1.3 million nos.; Paper cones for loudspeakers—1.66 million nos; Band Change Switches—0.56 million nos; Trimming Capaciters—1.5 million nos.—(S.E.).

Industrial Machinery

M/s Beco Engineering Company, Agra Road, Vikroli, Bombay-79. (Algaon, Maharashtra): Slewing & Luffing Type Dock Cranes (5-50 tonnes lifting capacity)—(N.U.).

Engineering Products

M/s Leather Cloth Processors and Printers, 16, Veilophone Compound, Moghul Lane, Matunga Road (W. Rly), Bombay-16. (Bombay, Maharashtra): Foam Expanded Leather Cloth—900 KM; Calendered PVC—1,500 KM; Flexible Film & Sheating—1,050 tonnes; Rigid and semi-rigid sheets—300 tonnes.—(N.U.).

Leather Goods and Pickers

The Secretary to the Govt. of Rajasthan, State Enterprises Deptt., Jaipur, Rajasthan. (Rajasthan): Upper Leather from hides—1,500 tons; Sole Leather—600 tons; Leather from skins—900 tons.—(N.U.).

CHANGE IN NAMES (Owners or Undertakings)
(Information pertains to particular licences only)

From M/s Kerala Road Rollers, New Delhi to M/s Cauvery Engineering Ltd, New Delhi; From M/s The Godavari Sugar Mills Ltd, Bombay to M/s Somaiya Organies (India) Ltd, Lucknow.

LICENCES REVOKED OR SURRENDERED
(Information pertains to particular licences only)

M/s Zenith Cycle Industries, Delhi—Bicycles; M/s Kanori Chemicals and Industries Ltd, Calcutta—Phospheric acid; M/s The Modern Mills Ltd, Bombay—Rayon grade pulp and cellulose Acetate flakes; Shri Allum Karibasappa, Bellary—Cotton Yarn; M/s Kerala Spinners Ltd, Alleppey—Cotton Yarn; M/s Gitanjali Mills Ltd, Rajapalayam—Cotton Yarn; Shri C. V. Nariwala, Bombay—Rilsan Polymide Fibre and a few other related materials; M/s Southern Tyre Manufacturers Private Ltd, Madras—Automobile tyres and tubes; M/s Modern Family Planning Products Ltd, Bombay—Condoms, Diaphragms etc.

BOOKS BRIEFLY

Finance for Development

Essays on Finance; By S. L. N. Simha; Vora & Co. Publishers Private Ltd, Bombay; Pp. 340; Rs. 20.

Reviewed by R. V. MURTHY

It is not always that we come across a readable book on current economic problems and the few books that we do receive, off and on, suffer from either overemphasis or underemphasis of certain facets of the topics dealt with. Not unoften, they tend to be excessively subjective and, in some cases, somewhat unduly prejudiced, depending upon the particular predilection of the writer. But the publication under review is refreshingly free from these shortcomings, and this is due to the missionary zeal of Mr Simha as witness these words of his in the Preface: "I have felt that persons like me, with some background of policy-making in the national and international financial spheres, have a responsibility to write, notwithstanding the limitations of official position, on current matters and events, to throw some light occasionally to stimulate some thinking and discussion." The official position of Mr Simha —presently, he is General Manager of the Industrial Development Bank of India—as much as his academic background seem specially to mark him out for an assignment of this nature

Growth with Stability

There are 20 scintillating essays in the book covering different subjects, but having a broad common ground nevertheless, such as monetary policy (four essays), development finance (four essays), international finance (nine essays) and planning and management (three essays). Mr Simha proceeds on the right assumption that the basic objective of all these subjects is the promotion of growth in an environment of stability—two goals the harmonisation of which, whether in the limited national sphere or in the broader international sphere, is no easy task. Mr Simha, who had been first Economist and, later, Executive Director of the International Monetary Fund, has brought out in the course of his essays dealing with international finance, which understandably accounts for the greater portion of the publication, the need for dynamism and discipline, vision and enterprise, and austerity and sacrifice to achieve growth, especially in a short time. It is a sort of race between the decade of development and the era of rising expectations. After perusing the several essays, one is obliged to come to the same conclusion as the author that, though the flow of international assistance to developing countries so far has been substantial. it is unfortunate that the curve of assistance has since flattened out and this when the prevailing recessionary conditions make more and continuing aid imperative and urgent. But this is not to underrate the role of the international agencies, particularly the IMF which has a record of impressive performance. Its latest contribution towards aiding the developing countries is the SDRs (Special Drawing Rights). This is a significant contribution indeed to the growth of international liquidity, as the author observes. Mr Simha is so impressed with this and other achievements of the IMF and the future trend of its development that he already sees the beginnings of a world central bank.

What the author of this publication has to say about our domestic monetary policy is fascinating. He is broadminded enough to concede that there are sharp differences with regard to the scope for and the efficacy of monetary policy. Monetary policy is not without its advantages, but the efficacy of it depends to a large degree on the extent of monetisation of a given economy, as also on its effective enforcement which bristles with especial difficulties in a country of continental dimensions such as ours. I agree with the author, if only because of this, that problems of credit management in the Indian sub-continent should interest not only students of economics in India and other developing countries, but also those in developed countries.

Mr Simha has really proved to be a prophet in so far as his views on planning and management go. How true, for instance, has this statement of his turned out to be: "There are also indications that there may be no fourth Plan." This was written long before the latest decision not to have one yet came to be known. But the author is for formulation of a long-term national planning all right. At the same time, no shrewd reader can miss his concern when he urges that "we must also endeavour to win back something of the interest in, and respect for, our efforts at democratic planning, that foreigners had for many years. We are bound to agree that such a plan would also do much to divert the energies of people in all quarters from unprofitable and frivolous controversies and debates and to help create a sense of national unity and purpose. It is a tragedy that those who indulge in these futile and endless controversies do not seem to understand that thereby they are directly contributing to the erosion of that very sense of national unity and purpose. We would strongly commend to these busy-bodies the forthright and frank views of Mr Simha on some of the more controversial issues. He does not hesitate to call a spade a spade and criticise even certain official attitudes, as, for instance, that towards the stock exchanges.

Notable Suggestion

There is one notable suggestion of the author, born of keen observation and sound experience, to which reference must be made here. It is the prevalent custom in western countries, and even in Latin America lately, of actively associating the government and central bank economists with university departments and business houses. We in this country have not gone beyond grouping these classes for undergoing short courses in staff administrative colleges. The process must be extended in order that there may be a two-way traffic of thinking on all important economic problems, free from all inhibitions of emotion and ideology.

In short, here is an interesting, illuminating, intelligible and certainly objective presentation of so many of the economic problems that confront us today, set against the background of two decades of intensive development which no student of current economic development can afford to miss reading. Even to the lay reader, it is a must as a handy reference book.

THE ECONOMICS OF GROWTH

Wealth of Nations—An Analysis with special reference, to Under-Developed Countries: by Asoke Kumar Chaudhuri; World Press, Calcutta; 1967; Pp. 165+xv; Rs 20.

Reviewed by L. N. RAINA

Although the world has moved some two hundred years from Adam Smith and his Britain and the context and the circumstance have changed in the underdeveloped countries, there are many facets of the classic 'Wealth of Nations' which hold good even at the present time. For instance, take Smith's stress on the role of capital formation and inducement to save and invest in the economic growth of a country or the effect of the increase of the total wage bill and effective demand on the size of the domestic market to make the economy self-sufficient. We could even refer to Smith's division of labour which in current terminology is called specialisation and technological advance.

In the first part of his small book Mr Chaudhuri has made an attempt to interpret Adam Smith's famous classic with reference to the growth problems of developing countries. Obviously it can be a very general treatment, though the author has been very much to the point and tried to sift the material with skill. This part of his work is divided into nine chapters. In the first chapter the author attempts an analysis of Adam Smith's theory of economic development which maintains that development process is mainly initiated by the owners of capital with profit maximisation as the motive and stresses the importance of capital accumulation. In the next two chapters Mr Chaudhuri examines Smith's theory of division of labour and his concepts of productive and unproductive labour: the labour that can be stocked and stored up for use on some other occasion and that labour which is perishable and immediately consumed. According to the author Smith stressed the fundamental distinctions between productive and unproductive labour and that later economists missed the point and tore his concepts out of context.

Adam Smith's theory of value is discussed in Chapter IV. Smith's objective, according to the author, is to discover a measure of value rather than attempt a general theory to explain value; the focus is on the measure of value than to give a clear-cut explanation of the phenomenon of value.

Systematic Analysis

Mr Chaudhuri attempts a systematic analysis of Adam Smith's theory of distribution in Chapter V. Here he deals with the concept of wages, rent, profit and interest. According to the author, Smith's theory of distribution flows from his concept of natural price. Smith is mainly interested in the question of wages per head, rent per acre and profit per cent. He ignores the question of relative shares of the total national product which capital, labour and land should receive. Smith's theory of population growth as a long-term determinant of the level of wages through the supply of labour, according to the author, anticipates Malthus' theory of population; only Smith was more optimistic than Malthus.

Mr Chaudhuri maintains that Smith was not dogmatic about his famous laissez-faire doctrine, his major contribution to economic thought, which he treats in Chapter VI. He draws attention to three important assumptions made by Smith: that every individual wants to improve his economic position, that every individual is the best judge of his economic interest; and that national income is the grand total of all individual incomes. Then Mr Chaudhuri discusses Smith's ideas about the functions of government: to defend the citizen from foreign invasion, administration of justice, and maintenance of essential public works. He draws attention to the similarity of views between Smith and Keynes on the positive co-operation of the state and the individual to maximise the welfare of the society as a whole.

Smith's views on international trade are dealt with in Chapter VII. The author explains Smith's thesis that it is advantageous to import that which other countries produce at absolutely minimum cost thus aiding international specialisation, an extension of his principle of division of labour. He explains the extent of market-cum-productivity theory and international mobility of factors of production. Chapter VIII gives a basic study of the Physiocrats' doctrine vis-a-vis the Smithian doctrine.

In the last Chapter of Part I, Mr Chaudhuri deals with Smith's theories in relation to underdeveloped countries. Smith's main thesis is that capital accumulation stimulates economic development. He explains Smith's idea that if wage goods or the basic necessity (mainly food) during a particular period do not increase by the required magnitude, the targets of fixed capital cannot be realised. Unless the supply of food increases pari passu with the increase in demand; consequent on the expansion of industrial sector, the price of food will rise in terms of manufactured products thereby raising the rate of subsistence wage and reducing the profit and capital accumulation. Smith recognises the fact that industrial and agrarian revolutions go together and that economies in which agriculture is stagnant do not show any appreciable industrial development. Mr Chaudhuri stresses the implication of Smith's argument that government enterprise is justified in fields where profits are too low from private investor's point of view. Smith maintains that a liberal reward for labour is advantageous to the society as a whole. It goes to the credit of Mr Chaudhuri that he has culled out from such a voluminous treatise, material meaningful and lesson-giving to the growth problems of developing economies.

The information given in the second part of the book, even though useful, is hardly relevant to the foregoing analysis of the 'Wealth of Nations'. Perhaps because the author is connected with the Ministry of Steel, Metals and Mines of the Government of India he has been impelled to write on the steel pricing policy and the public sector steel plants. But chapters on India and the IMF and World Bank and the Under-developed Countries lack any justification to find place under the same cover with an analysis on the 'Wealth of Nations'.

RECORDS AND STATISTICS

Wholesale Prices

WHOLESALE PRICES as measured by the official index (with the year ended March 1953 as 100) advanced by 0.4 per cent to 220.3 during September 1967 as compared to 219.5 for the previous month. During the month under review 'Food Articles', rose by 0.9 per cent to 259.9, 'Tobacco' by 0.2 per cent to 128.6 and 'Fuel, Power, Light and Lubricants' by 8.8 per cent to 192.6, while 'Industrial Raw Materials' receded by 2.0 per cent to 212.7 and 'Manufactures' by 0.2 per cent to 164.8 when compared with August 1967.

Food Articles

The sub-group index for 'cereals' decreased by 1.5 per cent to 228.1 due to a fall in the prices of rice, jowar, bajra, barley and maize while the price of ragi increased. (At this level the index for cereals was higher by 35.1 per cent when compared to that of a year ago.) An increase in the prices of all the pulses (except mung, which registered a fall) raised the index for 'pulses' by 2.9 per cent to 297.5. The sub-group index for 'fruits and vegetables' receded by 3.9 per cent to 229.1 due to a fall in the prices of oranges, bananas and cashewnuts while the prices of potatoes advanced. Owing to a fall in the prices of milk the index for 'milk and ghee' sub-group declined by 3.6 per cent to 224.1. Lower prices of all the edible oils (except coconut oil, which maintained its increasing trend) brought down the index for 'edible oils' by 1.0 per cent to 281.0. The sub-group index for 'fish, eggs and meat' advanced by 2.2 per cent to 248.1 due to a rise in the prices of fish and meat. The price of eggs, however, decreased. A substantial rise in the prices of gur was responsible for an increase in the index of 'sugar and gur' sub-group by 14.2 per cent to 442.0. Lower prices of coffee, black pepper, chillies, cloves, cardamoms, betel-nuts and salt brought down the index of 'other food articles' by 2.1 per cent to 234.9. The prices of tea and turmeric, however, increased.

Tobacco

The index for 'tobacco' worked out to 128.6 as against 128.4 the previous month.

Fuel, Power, Light & Lubricants

The index for this group went up by 8.8 per cent to 192.6 due to an increase in the prices of coal and lubricating oil, while the prices of castor oil depicted a fall.

Industrial Raw Materials

The index for 'fibres' sub-group receded by 0.3 per cent to

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES

(Base : 1952-53=100)

Groups and sub-group	September 1967	August	September	Increase (+) or decrease (—) in Sept. 1967 as Compared with August 1967	September 1966
Food articles	**259.9**	**257.7**	**195.9**	**+0.9**	**+ 32.7**
Cereals	228.1	231.5	168.9	—1.5	+ 35.1
Pulses	297.5	289.1	183.0	+2.9	+ 62.6
Fruits and vegetables	229.1	238.5	205.9	—3.9	+ 11.3
Milk and ghee	224.1	232.4	182.2	—3.6	+ 23.0
Edible oils	281.0	283.8	303.3	—1.0	— 7.4
Fish, eggs and meat	248.1	242.8	237.8	+2.2	+ 4.3
Sugar and gur	442.0	387.0	189.8	+14.2	+132.9
Others	234.9	240.0	220.2	—2.1	+ 6.7
Liquor and tobacco	**133.8**	**133.6**	**129.9**	**+0.1**	**+ 3.0**
Tobacco	128.6	128.4	124.7	+0.8	+ 3.1
Fuel, power, light and lubricants	**192.6**	**177.1**	**170.1**	**+8.8**	**+ 13.2**
Industrial raw materials	**212.7**	**217.0**	**224.5**	**—2.0**	**— 5.3**
Fibres	170.3	170.8	182.1	—0.3	— 6.5
Oilseeds	278.6	289.3	300.7	—3.7	— 7.3
Minerals	150.8	151.1	152.4	—0.2	— 1.0
Others	173.6	173.2	166.5	+0.2	+ 4.3
Manufactures	**164.8**	**165.2**	**160.3**	**—0.2**	**+ 2.8**
Intermediate products	**211.0**	**215.4**	**200.6**	**—2.0**	**+ 5.2**
Finished products	**157.3**	**157.0**	**153.7**	**+0.2**	**+ 2.3**
Textiles :	151.2	150.2	149.0	+0.7	+ 1.5
Cotton manufactures	156.9	156.8	150.2	+0.1	+ 4.5
Jute manufactures	128.5	124.8	138.1	+3.0	— 7.0
Woollen manufactures	204.2	204.2	209.4	...	— 2.5
Silk and rayon manufactures	159.0	159.2	154.5	—0.1	+ 2.9
Metal products	211.1	211.1	190.1	...	+ 11.0
Chemicals	150.6	153.0	147.2	—1.6	+ 2.3
Oilcakes	277.1	279.8	271.7	—1.0	+ 2.0
Machinery and transport equipment ...	154.5	154.5	150.5	...	+ 2.7
Others	134.5	135.1	132.1	—0.4	+ 1.8
All commodities	**220.3**	**219.5**	**187.8**	**+0.4**	**+ 17.3**

Source : Economic Adviser to the Government of India.

170.3 as against 170.8 for the previous month, due to a fall in the prices of cotton raw. The prices of jute raw and silk raw, however, moved up. Lower prices of groundnuts, linseed, castorseed and gingellyseed brought down the index for 'oilseeds' sub-group by 3.7 per cent to 278.6 although the prices of cottonseed and copra, were marked up. The sub-group index for 'minerals' worked out to 150.8 as against 151.1 for the preceding month. Among the 'other industrial raw materials' the prices of hides raw and logs and timber increased, while those of skins raw, tanning materials, rubber and lac depicted a fall; consequently the index for the sub-group increased by 0.2 per cent to 173.6.

Intermediate Products

Lower prices of linseed oil, cotton yarn, rayon yarn, zinc and copper brought down the index for 'intermediate products' by 2.0 per cent to 211.0. The prices of leather and tin, however, moved up.

Finished Products

The sub-group index for 'textiles' advanced by 0.7 per cent to 151.2 owing to an increase in the prices of cotton manufactures (+0.1 per cent to 156.9) and jute manufactures (+3.0 per cent to 128.5). The prices of silk and rayon manufactures (—0.1 per cent to 159.0), however, moved down. Under cotton manufactures the prices of cotton cloth (mills) rose fractionally while handloom cloth remained stationary at its previous month's level. The sub-group index for 'metal products' stood at its previous month's level of 211.1. Lower prices of dyeing materials and soap brought down the index for 'chemicals' sub-group by 1.6 per cent to 150.6. The index for 'oilcakes' fell by 1.0 per cent to 277.1. The sub-group index for 'machinery and transport equipment' remained unchanged at its previous month's level of 154.5, despite a fall in the prices of leather beltings. A fall in the prices of shoes (leather) was responsible for decline in the sub-group index of 'other finished products' by 0.4 per cent to 134.5. On the whole the index for 'finished products' advanced by 0.2 per cent to 157.3.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base : 1956=100)

	1966					1967				
	March	April	May	June	July	March	April	May	June	July
General Index (crude)	196.5	189.6	188.2	189.6	192.9	199.2	183.8	192.1	194.2	199.3
Mining and quarrying	203.7	194.0	192.1	183.4	184.5	206.8	197.0	206.0	188.9	189.0
Coal	187.8	178.0	176.4	170.8	170.1	192.9	183.5	191.7	176.8	175.6
Manufacturing	190.0	183.0	181.2	183.4	186.6	191.5	174.6	182.4	186.6	192.3
Sugar	383.1	287.6	115.1	23.6	7.6	179.9	65.5	14.0	3.4	1.5
Manufacture of textiles: ...	116.2	125.7	120.8	128.8	131.4	125.3	118.2	126.6	125.1	128.9
Cotton textiles	107.3	120.4	119.6	123.7	126.6	117.7	111.5	119.8	118.4	123.8
Woollen textiles	87.9	92.5	112.4	125.6	136.9	118.7	115.2	122.5	122.8	128.7
Silk and synthetic fibres ...	229.5	232.3	212.1	221.5	226.6	219.5	207.5	220.6	219.6	221.9
Jute textiles	113.5	107.0	81.9	109.8	107.7	120.3	110.5	117.1	113.9	109.3
Paper and paper boards	298.3	269.6	274.6	272.2	287.2	289.9	281.5	289.8	302.3	312.0
Leather and fur products ...	144.9	147.1	131.5	145.6	136.3	144.8	140.6	143.5	140.0	130.1
Rubber products	217.6	193.9	176.0	196.2	231.0	234.0	200.4	213.8	235.6	237.5
Chemical and chemical products ...	238.3	236.9	254.4	263.2	274.1	294.0	268.1	271.8	274.9	283.6
Basic industrial chemicals ...	412.9	395.5	412.6	402.2	421.5	448.2	395.3	419.1	389.7	413.7
Fertilizers	267.2	253.2	372.9	431.7	465.1	505.3	450.2	414.5	501.5	495.8
Petroleum products	267.7	267.7	281.2	275.4	286.5	360.1	327.2	350.5	348.0	340.8
Cement	230.2	213.9	207.9	204.3	215.0	238.9	223.6	242.4	228.4	226.3
Basic metals	344.9	299.0	312.2	305.3	318.7	342.8	316.4	302.7	296.4	319.7
Pig iron	379.1	356.4	358.4	341.9	357.2	378.9	355.4	351.2	328.6	352.8
Finished steel	387.2	324.9	324.1	327.8	337.3	356.1	292.2	210.4	262.4	284.6
Aluminium manufacturing ...	457.4	409.8	536.0	473.5	485.8	677.0	625.0	652.7	596.6	576.6
Metal products	232.1	232.0	203.6	226.9	230.4	212.9	203.9	209.7	207.4	205.8
Machinery except electrical ...	610.9	526.6	539.7	552.8	510.9	642.6	474.6	522.8	506.6	517.6
Electrical machinery	333.9	327.2	349.7	338.6	324.8	395.7	370.3	375.3	381.8	380.0
Transport equipment	233.1	155.5	167.7	182.9	182.5	221.8	158.2	179.9	160.8	165.3
Automobiles	320.4	155.6	204.5	217.6	216.7	287.3	179.7	223.8	173.5	174.8
Motor cycles and scooters ...	974.5	1,034.6	723.3	1,109.3	1,117.2	1,110.9	1,147.9	897.7	1,116.1	1,311.8
Bicycles (complete)	261.1	245.5	229.3	249.6	232.3	299.2	257.5	261.1	265.5	269.2
Electricity	338.7	339.8	347.5	353.8	363.3	369.1	378.4	398.2	390.2	N.A.

Source: C.S.O.

MONEY SUPPLY WITH THE PUBLIC

(Rs. crores)

Last Friday	Money Supply	Total Currency with Public	Deposit Money with the Public			Total Variations in Money Supply
			Total	Net Demand Deposits of Banks	Other Deposits with Reserve Bank	
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.16
1961-62	3,045.82	2,201.16	844.66	827.43	17.23	+177.21
1962-63	3,309.97	2,379.47	930.51	907.98	22.53	+264.15
1963-64	3,752.12	2,605.56	1,146.56	1,114.66	31.90	+442.15
1964-65	4,080.28	2,769.05	1,311.23	1,289.52	21.70	+328.16
1965-66*	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67*	4,949.97	3,197.22	1,752.75	1,711.34	41.41	+420.58
1966* July ...	4,573.72	2,961.22	1,612.51	1,589.05	23.46	— 38.27
August ...	4,524.51	2,920.63	1,603.87	1,584.36	19.51	— 49.21
September ...	4,459.48	2,865.45	1,594.03	1,566.71	27.32	— 65.03
October ...	4,508.53	2,898.93	1,609.59	1,578.66	30.94	+ 49.05
November ...	4,557.25	2,946.16	1,611.09	1,579.98	32.12	+ 48.72
December ...	4,679.93	3,006.85	1,673.08	1,634.41	38.67	+123.06
1967* January ...	4,744.92	3,092.83	1,652.09	1,614.50	37.59	+ 64.99
February ...	4,825.03	3,157.53	1,667.50	1,632.16	35.34	+ 80.11
March ...	4,949.97	3,197.22	1,752.75	1,711.34	41.41	+124.94
April ...	4,964.32	3,237.22	1,727.09	1,696.65	30.45	+ 14.35
May ...	4,958.03	3,246.34	1,711.69	1,687.35	24.34	— 6.29
June ...	4,961.87	3,210.96	1,750.91	1,732.55	18.36	+ 3.84
July ...	4,896.44	3,135.14	1,761.31	1,744.14	17.16	— 65.43
August ...	4,844.87	3,083.56	1,761.31	1,745.49	15.82	— 51.57
September ...	4,853.39	3,070.41	1,782.97	1,763.66	19.32	+ 8.52

* Provisional.

Source: Reserve Bank of India.

RESERVE BANK OF INDIA

(Rs. crores)

	Nov. 10, 1967	A week ago	A month ago	A year ago
Issue Department				
Notes held in Banking Department	14.94	13.11	9.09	12.16
Notes in circulation	3032.83	2995.89	3001.26	2837.00
Total notes issued	3047.77	3009.00	3010.35	2849.16
Gold coin and bullion	115.89	115.89	115.89	115.89
Foreign securities	166.42	166.42	166.42	176.42
Rupee coin	75.47	76.71	78.09	86.93
Government of India rupee securities	2689.98	2649.98	2649.95	2469.92
Banking Department				
Deposits of central government	54.85	64.26	54.94	51.44
Deposits of state governments	4.50	4.61	4.44	22.47
Deposits of banks	153.81	133.25	140.97	130.95
Other deposits	277.85	277.07	261.31	268.11
Other liabilities	352.69	359.27	349.71	336.67
Total liabilities or assets	843.70	838.46	811.37	809.66
Notes and coins	15.01	13.19	9.18	12.22
Balances held abroad	14.99	14.18	16.42	18.27
Loans and advances to governments	113.96	132.69	125.95	79.69
Other loans and advances	214.96	222.18	207.62	202.40
Bills purchased and discounted	283.06	270.94	278.44	300.45
Investments	166.79	150.34	138.37	164.88
Other assets	34.92	34.93	35.38	31.74

SCHEDULED COMMERCIAL BANKS

(Rs crores)

	Nov. 10, 1967	A week ago	A month ago	A year ago
1. Demand deposits*	1692.04	1689.56	1683.51	1498.96
2. Time deposits*	1952.18	1957.49	1940.98	1777.28
3. Aggregate deposits*	3644.22	3647.05	3624.50	3276.25
4. Cash	98.13	98.62	96.28	78.35
5. Balances with Reserve Bank	132.77	130.64	161.80	117.65
6. Cash and balances with Reserve Bank	230.90	229.27	258.08	195.99
7. Borrowings from Reserve Bank	2.23	10.57	5.02	10.18
8. Investments in government securities	1094.88	1113.03	1115.71	1070.46
9. Advances	2237.51	2224.62	2227.14	1937.11
10. Bills purchased and discounted	360.75	356.14	352.18	355.21
Inland bills	240.78	239.39	235.71	230.21
Foreign bills	119.97	116.75	116.47	125.00
11. Total bank credit	2598.27	2580.76	2579.33	2292.32
12. Percentage of :				
(6) to (3)	6.34	6.29	7.12	6.98
(8) to (3)	30.04	30.52	30.78	32.67
(11) to (3)	71.30	70.76	71.16	69.97

* Excluding inter-bank borrowings.

Source: Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(Base : August 1939=100)

	Maharashtra		Delhi	Bengal	UP	Maharashtra	Madhya Pradesh	Madras	Punjab	All India†
	Bombay	Bombay June 1934=100	Delhi†	Calcutta	Kanpur	Nagpur	Jabalpur†	Madras 1936=100	Ludhiana†	
1960	401	420	158	397	476	512	165	467	167	171
1961	412	431	167	406	486	495	163	478	172	173
1962*	423	444	172	423	511	502	198	484	182	179
1963*	424	448	176	442	524	522	207	488	190	185
1964*	492	516	196	477	645	651	242	548	211	210
1965*	537	558	212	504	709	721	247	613	226	230
1966*	605	636	248	570	738	751	298	655	263	255
1966* January ...	575	604	232**	517	722	699	261	639	231	239
February ...	579	608	232	537	708	710	266	630	231	240
March ...	588	617	235	557	699	720	270	626	233	240
April ...	596	626	239	553	699	715	282	629	241	242
May ...	596	626	244	569	718	736	282	640	251	250
June ...	600	630	252	577	729	752	296	652	256	255
July ...	613	644	254	577	751	762	322	659	277	259
August ...	622	653	254	577	755	778	317	662	271	262
September ...	617	648	254	585	754	773	314	663	274	264
October ...	622	653	255	593	764	783	316	671	290	265
November ...	626	657	259	596	773	788	322	686	297	268
December ...	630	662	260	604	783	793	322	693	307	272
1967* January ...	638	670	264	593	837	788	322	692	317	272
February ...	643	675	267	585	845	783	322	692	328	273
March ...	647	679	270	593	863	788	340	685	330	276
April ...	651	684	272	608	847	788	349	680	321	279
May ...	669	702	274	612	870	814	361	685	313	284
June ...	676	710	279	620	900	846	361	696	318	291
July ...	681	715	286	632	918	856	361	703	326	294
August ...	N.A.	719	292	636	933	851	358	697	326	297
September ...	N.A.	702	297	...	938	...	...	694	...	295
October ...	...	...	299	...	...	...	...	709	...	...

* Provisional. † Base 1944=100. ** Based on the revised series from January 1966 onwards.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(Base : 1960=100)

Centre	1960-61*	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967					
								January	February	March	April	May	June
All-India	100	104	108	113	124	132	146	149	150	151	152	154	158
Bombay	99	103	107	114	125	132	142	143	143	144	146	149	153
Delhi-New Delhi	100	105	111	116	125	131	142	144	146	148	150	149	150
Calcutta	98	102	107	112	118	126	139	141	141	142	144	145	148
Madras	103	106	111	116	125	133	147	154	153	152	151	152	154
Hyderabad-Secunderabad	101	104	107	111	122	133	147	148	148	149	150	152	156
Bangalore	102	106	111	115	124	133	145	148	149	150	150	151	154
Lucknow	100	102	105	110	125	132	146	150	153	156	154	155	159
Ahmedabad	100	103	105	112	125	131	146	153	154	154	157	160	164
Jaipur	101	105	108	115	126	133	150	153	155	155	157	159	163
Patna	99	102	106	111	124	139	160	167	171	168	170	174	181
Srinagar	105	105	111	120	128	134	143	151	153	153	155	158	160
Trivandrum	103	105	110	115	122	131	146	153	151	149	149	152	157
Cuttack-Bhubaneswar	100	107	113	122	135	142	154	156	155	156	158	159	161
Bhopal	102	109	111	115	128	133	144	146	148	150	158	160	172
Chandigarh	101	105	108	114	124	129	143	146	150	152	152	152	153
Shillong	101	103	107	114	121	123	134	138	137	139	143	147	149

* Relates to the period January to March 1961.

Source: Central Statistical Organisation.

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EASTERN ECONOMIST 23

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"They call it a Plan Holiday. Can't they be a bit more charitable?"

EASTERN ECONOMIST

DECEMBER 8, 1967

Dead, But Not Buried ... 1023

Soaring Prices of Silver ... 1025

For Accelerating Exports to Britain 1026

Scientific Management for Economic Growth 1027

An American Diary II: Challenge and Response—The Editor .. 1029

Trends in World Trade I—Manubhai Shah 1032

Co-operatives in Maharashtra—Srikrishna Vanjari ... ... .036

Problems of Trade Unionism—M. R. Meher 1038

WINDOW ON THE WORLD ... 1043
Australian Standards Lead the World.
Nigeria's War Damages the Economy.

THE MOVING FINGER WRITES ... 1047

TRADE WINDS 1048
Goodwill Mission; Fall in LIC's New Business; Problems of Taxation; Cotton Textile Machinery; Cement Industry's Operations; Taxation of Road Transport; West German Aid to ICICI; Indo-Czech Trade Agreement; Indo-Iranian Trade Agreement; Symposium on Copper; Ports, Shipping and Shipbuilding.

COMPANY AFFAIRS 1053
Tube Investment; Jyoti Switchgears; Shama Pistons; Standard Batteries; Premier Automobiles; Gammon India; London Rubber; Rajagiri Rubber; Indabrator Ltd; Calcutta Chemical; Unit Price; Capital and Bonus Issues.

COMPANY MEETING 1055
Tube Investments of India Ltd.

BOOKS BRIEFLY 1057
The Problems of Federal Finance.

RECORDS AND STATISTICS ... 1058
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Dead, But Not Buried

THE NATIONAL Development Council met for a funereal feast of words and, having eaten its fill, dispersed. The aborted fourth plan was mourned without neither the Prime Minister nor the Deputy Chairman of the Planning Commission having the courage to order a decent burial for the remains. Mrs Gandhi spoke without conviction about our retreating one step backward now in order to be able to move two steps forward at some later, more or less unspecified, date. Mr D. R. Gadgil, for his part, pleaded in effect that the outlook with regard to resources, both domestic and foreign, having deteriorated towards the close of the third Plan, a fourth plan, if one had been drawn up, could not have been much larger than its predecessor and it was therefore more desirable to skip drafting another five-year plan than give up the myth of self-sustaining development on which the country had been fed so long. In other words, the policy of make-believe is to continue.

Mr Gadgil forgets that, having a series of annual plans to bridge the interregnum between the third Plan and a fourth plan may be beset with more disadvantages than having a modest fourth plan succeed the third without a gap in time. The merit of having a plan-frame stretched over a certain number of years is that the development process could be assured of some progressiveness as well as continuity. By opting for annual plans without benefit of a five-year context; the government, which has been living beyond the country's means, is now living also between hand and mouth. Mr Gadgil himself has conceded this truth and it is therefore all the more regrettable that he should have tried to gloss over the unpleasant implications of it by arguing rather irrelevantly that "there is no reason to believe that even if a fourth plan had been finalised, say, before the end of 1966, the size and composition of plan outlays, in subsequent years, would have been different from actually what they were". The plain fact is that the government did not have the honesty and the courage to proceed with a realistic fourth plan after having advertised its intentions of entertaining a grandiose one.

It has been said often enough by the Prime Minister and others that development had suffered in the third Plan because of the two border wars and two successive years of drought and that, as a result, the resources which would have been available for a fourth plan had not been built up in the economy. For no good reason that we can think of, these worthy people are now convinced that misfortunes of this kind are definitely behind us. The Prime Minister, addressing the National Development Council, spoke of the economy demonstrating its resilience and displaying dynamism by 1969, when, according to present protestations, a fourth plan is at last to be well and truly started. We are more disturbed by her complacency than reassured by her claim to a knowledge of the future. Devaluation and the way it had been followed up—or, rather not followed up—has dealt our economy a blow from which it is still to recover. The industrial recession which began developing in the course of the fourth year of the third Plan deepened subsequently and its end is still not in sight. As for the strains of defence, the expenditure on external security has been hoisted to a permanently high level and there is no certainty that it has still found its ceiling. Again, with every year that passes the government's expenditure on administration or in ways not related to development is passing beyond its control. Finally, and above all, even before the last general election and more extensively thereafter, a period of political instability, administrative chaos, labour unrest and public disorder has supervened. It does not seem as if the economic consequences of these factors and developments have been honestly assessed by those who preside over the government and Planning Commission or have discouraged them in continuing to indulge in the irresponsible game of feeding the people on empty promises. It must be obvious however to the much-suffering public that if things continue at this rate, as they probably will, or become worse, as they possibly may, this country's economy is bound to be in a weaker position in 1969 than it was in 1966 to contemplate a five-year commitment of stepped-up development.

The Deputy Prime Minister (and Finance Minister) has given, wittingly or otherwise, a truer indication of what is in store for the national economy than Mrs Gandhi or Mr Gadgil chose to. Mr Morarji Desai, who clothed his budget this year with bold verbal assertions of his determination to discipline the government to live within its means, admitted to the National Development Council that he was no longer hopeful of making his words come true. He said that the government was spending more than was expected, although it was receiving less revenue than was anticipated. As a result, the country will have to put up with another year of deficit financing at a time when the government is actually devoting even less real resources for development than in previous years. This, once again, emphasizes the point (which we have been reiterating in this journal) that government taxation and government spending had long ago been divorced from resources genuinely devoted to development. We wonder how much credit Mr Desai deserves for revealing what cannot be hidden from public knowledge any longer. In any case, his confession has further discredited the Planning Commission. Only as late as in the last week of July this year, while presenting the annual plan for 1967-68, the Planning Commission committed itself to a series of projections about the availability of resources for these 12 months, every one of which has now turned out to be widely off the mark. When there is this in-built disposition in the Planning Commission to see things not as they are but as it would like them to be, how can the public give any credence to the assumptions and anticipations which have gone and are going by the name of planning in our country? Micawberism is not the word for it; we wish we could invent a more adequate description.

Take, for instance, the government's (and the Planning Commission's) attempt to make plan capital out of this year's harvests even before they have been gathered in. For some time now the Planning Commission and the Ministry of Agriculture have been engaged in boosting each other's morale by talking of a 95 million-tonne foodgrain crop. But the moment an attempt was made in the National Development Council to persuade chief ministers to garner for plan finances a share of this incipient prosperity of the farmer, the bubble burst. The chief ministers argued that the harvest estimates drew an exaggerated picture of crop possibilities—and the forecasters in New Delhi were strangely silent. The Planning Commission's proposal that the states which are not levying the agricultural income tax at present should do so, the manner of this levy should be uniform, the agricultural and non-agricultural incomes should be taken together for determining the rate and the agricultural income tax of the individual states should be integrated with the general income tax of the centre so that the two may be operated together, is certainly a logical, reasonable and progressive scheme. But in spite of Mrs Gandhi's appeal that an effort should be made to push up domestic capital formation for the benefit of plan finance, Mr Gadgil failed to carry the proposal through and had to admit in so many words that this session of the National Development Council has killed the project. If, nevertheless, Mrs Gandhi, Mr Desai and Mr Gadgil were to continue to speak and think of increasing the tax burden on the community, they will be laying themselves open to the charge that they are committing themselves to fiscal policies which will further drain resources from the productive sectors of the economy and thereby depress still more the overall tempo of development and the rate of economic growth. Even now the Finance Minister is finding that tax revenue is not responding to additional taxation, but this has not prevented him from asserting that taxation—not even the kind that the central government is in a position to impose so arbitrarily—is yet to reach saturation point. Mr Desai is indeed hard to satisfy. Perhaps what he has in mind is that government spending which, as we had noted, has become unconnected with development, has not reached the saturation point. It never will, of course. But how long can the country afford to go on financing unproductive spending by the government when its economy is stagnating or its economic growth is slackening?

Soaring Prices of Silver

THE PRECIOUS metals, gold and silver, promise to become even more precious in the coming years for entirely different reasons. Silver particularly has been in the limelight since the middle of this year and unprecedented high levels have been touched in the past month in New York, London and Bombay. For quite a long time, the quotation in New York was pegged around 130.1 cents with the London quotation moving in narrow limits in terms of this parity. Latterly, however, with a prolonged strike in copper mines in the USA and elsewhere and a drastic reduction in the output of the white metal which is a by-product, there has been heavy speculative buying and the market rate in New York touched an all-time high at 200 cents an ounce with the London rate jacked up to 204 pence. This compares with a quotation of 144 pence in the middle of June this year. The recent rise in prices has no doubt been exaggerated to a certain extent by the devaluation of the pound sterling. In terms of rupees at the new exchange rate the equivalent price works out to about Rs 535 per kg. There has naturally been a boom in silver prices in the principal markets in this country as well. In Bombay, the rate was around Rs 355 per kg. in June, much lower than the peak level of Rs 408 touched early last year. With the improvement in values in London and New York the rate rose to Rs 402 in the third week of October, but thereafter it jumped in a sensational manner to Rs 560 in the last week of November. What is interesting to note in this movement is the conversion of a discount which the sellers of silver in Bombay had to concede to buyers in overseas markets into a premium latterly. As the white metal in our markets could be had on a cheaper basis, it was found very profitable by smugglers to effect large clandestine exports and secure badly needed foreign exchange for smuggling gold into this country.

There are no precise estimates about the quantum of clandestine exports from our country but it has been variously reported that the daily offtake has been of the order of 150 bars of 30 kg. each having a value of over Rs 25 lakhs at current prices. Even allowing for a substantial discount for meeting transport charges and for offsetting losses incurred in smuggling operations and on resale, the foreign exchange earned in the past few months through these illegal exports assumes staggering proportions. Assuming that the quantum of exports was on a much smaller scale and the average prices realised were very much lower, the foreign exchange earned could be easily Rs 15—20 crores in a five-month period. Since there is a large unsatisfied demand for silver and current production is considerably short of a rising level of consumption, it is not expected that the boom in silver will be easily pricked. But leading bullion firms in London and New York have been drawing pointed attention to the unhealthy rise in prices in recent weeks and stating that the large stocks held by speculators should be disgorged in the near future and prices would come down to more reasonable levels.

There is, however, no immediate prospect of a reversion to the levels that prevailed six months back as the industrial uses of silver have been widening and even with an increase in mining of this metal to the previous levels, there will be need to draw on stocks to the extent of at least 200 million ounces yearly.

We have no silver mines of our own and will probably produce only very small quantities as a by-product. But over a long period huge stocks have been accumulated. Large imports also have been smuggled into the country from Tibet and China against foodgrains and other articles which are in short supply in these countries. In these circumstances, it is difficult to say whether there has been a significant net reduction in total stocks within the country as a result of clandestine exports. The question is whether the government should take advantage of the new opportunity for exporting limited quantities of silver and earning foreign exchange. It was rumoured sometime back that the authorities were seriously considering the lifting of ban on exports of silver. No announcement has, however, been made so far in this connection and smugglers are making merry. There are no doubt difficulties in the way of permitting exports in bullion form and the government is keen to encourage exports only of manufactured articles. Some way should, however, be found to legalise the earnings in foreign exchange out of clandestine exports as these are proving to be extremely helpful for financing smuggling activities in gold.

The yellow metal also has been sought after more eagerly in recent weeks. Following the devaluation of £ and the reiteration by the US President, Mr Johnson, that the dollar price for gold will remain unchanged at $35 an ounce, there is hectic speculation whether it would be possible to avoid the devaluation of all currencies in terms of gold and whether France and other countries will not force the USA to raise its dollar price for gold. With the rush for buying gold in order to convert reserve currencies into this metal and an increase in hoarding activity, it has been necessary for six countries, including the USA—which form the gold pool—to sell large quantities of this metal to the panicky buyers. The US Treasury has ample reserves at its disposal and may even be prepared to amend the regulations relating to backing against currencies for releasing some part of the reserves. But it is difficult to say at this stage whether the large outflow of gold from the USA can be completely arrested and even if the purchasing power of the US dollar could be maintained at an assured level, the price of gold can continue to be pegged at $35 an ounce for all time. The producers of gold have not been finding it profitable to carry on mining operations in the old areas and it is feared that it will be difficult to maintain output at a high level without a higher price in the international markets. There has naturally been an unwillingness on the part of miners to sell directly their output to the central banks and there are reports that large quantities have been sold in the open markets at higher prices particularly in the eastern countries. The foreign exchange earned has not, however, been of any direct benefit to the miners as the intermediaries are reported to have taken advantage of the flattering profit margins. In these circumstances, there is great speculation over the future of gold and it is confidently expected in some quarters that an upward revision of the gold price cannot be postponed for long. In this country, there is always a lure for gold and in spite of the fact that internal prices are nearly double the level of international prices, there is heavy absorption of gold. With the prospect of an upward trend in international markets being in evidence after some time it will not be surprising if Indian prices moved higher and the hoarders became more active.

For Accelerating Exports to Britain

THE DEVALUATION of the pound sterling has made the task of diversifying our exports to the UK more difficult. Nevertheless, it should still be possible for our country to bring about, over a period, a steady increase in its exports of non-traditional items to this market. This country has already made an encouraging beginning in this respect. For instance, in 1966-67 we exported to the UK motor spirit for over a crore of rupees, inorganic chemicals for Rs 100,000, organic chemicals for Rs 34 lakhs, medicinal and pharmaceutical products for about Rs 18 lakhs, woollen floor coverings for over Rs 1.5 crores and cinematographic films (exposed) for nearly Rs 10 lakhs.

We also export a large variety of engineering goods to the UK. In 1966-67 our export of engineering goods to that country was valued at over Rs 1.95 crores. This sum by itself may not seem impressive in the context of the total value of our export trade but considering the sophisticated nature of the UK market, our performance seems commendable. Among the engineering goods that we exported to the UK in 1966-67 were telephone equipment for Rs 35 lakhs, cast iron manhole covers for Rs 26 lakhs, bolts and nuts for over two lakhs of rupees and steel rails, rounds, bars and flats for Rs 28 lakhs.

In recent months, businessmen in Britain have shown interest in importing from this country a large variety of other non-traditional goods. These include spectacle frames, musical records, handicrafts, yak hair, sanitaryware, granite and marble, curry recipes, air rifles and pistols, surgical instruments, Kashmiri woodwork and skin stuffed animals, deadburnt magnesite, porcupine quills, ivory goods, toys and dolls, bone glue, mosquito nets, artificial jewellery and jute horse blankets. In fact, trade enquiries from Britain for new items are continuously coming to the export promotion councils and other organisations in this country. But considering the declining trend in our total exports to the UK in recent years, it is doubtful if such enquiries are promptly brought to the notice of the interested parties. There is no doubt that if the government and the trade in this country make determined efforts to find a market in Britain for new products, they are bound to meet with some success provided, of course, adequate attention is paid to quality, price and the delivery period. It is also interesting to recall that until recently this country was a substantial exporter of sugar to Britain, the actual quantity exported being 30,139 tonnes in 1963, 19,525 tonnes in 1964 and 75,716 tonnes in 1965.

As the problem of export promotion to Britain has now assumed a new importance, it will be desirable to strengthen the Commerce Department of India's High Commission in London. This department not only collects and disseminates commercial information and settles trade disputes but also services, on behalf of the Government of India, the International Wheat Council, Sugar Council, Coffee Organisation, Rubber

Study Group and other organisations. But considering India's small share in Britain's total imports, which has been around two per cent for the past several years, and the increasing competition that our goods will have to face in the British market, the Commerce Department needs to be strengthened and, what is more important, it should be made to perform its functions more promptly and thoroughly. For example, its reports on economic and commercial conditions in Britain should be made more comprehensive, indicating specifically the scope for increasing and diversifying the export of our goods. The government should not grudge the increased expenditure that may be required for expanding the Commerce Department. If necessary, fat elsewhere in the High Commission should be trimmed. Moreover, the emphasis in new recruitment should be on quality, not quantity. In this context, it is rather shocking to see how considerations of economy have damaged our export drive. For instance, the Indian industrial delegation which recently visited Japan and the Philippines, on behalf of the Federation of Indian Chambers of Commerce and Industry, has made the following remarks regarding our export promotion work:

"We would like to refer in this report to the very good work that our Ambassador, Mr G. J. Malik, is doing in that country (Philippines). He is, however, handicapped because he has virtually no commercial staff. We understand that this pattern obtains in many other countries with which we have similar trading relations. At a time when we are trying to boost up our exports, it is rather difficult to understand as to how, in the name of such small economies, these posts can be left without being properly manned. We would like to request our government most earnestly to review their policy in this regard."

The Government of India should also liberalise the release of foreign exchange to individual businessmen and sales teams to visit Britain and to stay there for reasonable periods for trade negotiations. We should effectively participate in the international exhibitions held in London. Steps should be taken to remove the anomalies in shipping freights and, where possible, bring them down. In the last few months, the problem of shipping freight has been competently analysed by the All-India Shippers' Council, the All-India Manufacturers' Organisation and the Indian Institute of Foreign Trade. The government thus has plenty of data in regard to the specific difficulties experienced by export industries; and it should take up the matter with the Conference Lines and others concerned so that our non-traditional goods can become more competitive.

There is supreme need in this country to increase production by providing industries with adequate raw materials at international prices and also materials for packaging. Our engineering industries have to compete in Britain with the products of highly developed countries such as Japan and West Germany. It is reasonable therefore to suggest that our industries should also be given the same facilities and incentives as are given to the industries in the advanced countries. The devaluation of the pound sterling should help to create a greater sense of realism and urgency on the part of the Government of India in regard to export promotion.

Scientific Management for Economic Growth

EVERY ORGANISED thinking section of the population today has begun to ask the question as to what it can do to promote economic growth and to apply itself to this task in a spirit of dedication. Ironically enough—so it seems in retrospect—it needed a severe recession to engender such a psychology. But better late than never.

The Bombay Management Association certainly deserves to be complimented on selecting "Management's role in economic development" as the theme of its convention this year. For management has to make a great contribution towards rapid economic growth of our economy, and to be able to do so, it needs to be imaginative and must cast aside many old inhibitions. This is precisely what Mr G. L. Mehta, Chairman, the ICICI, who inaugurated the convention, meant when he made a fervent plea to managers to discard rigidities and overcentralisation in management. The environment in which industry has to operate today is so complex, what with planning priorities, licensing and controls that, unless industry jettisons rigidity and overcentralisation, it cannot even manoeuvre, let alone move on.

Both Mr Mehta's address and the keynote speech of the convention by Mr E. P. W. da Costa, Managing Director of the Indian Institute of Public Opinion, dwelt at length on the challenge that problems of development pose to management in the public and the private sectors alike and explained that to the extent that these are handled with adequate skill and a sense of responsibility, management would be able to meet the challenge effectively and efficiently. It is significant that both were sceptical of leaving the management of the nation's economy wholly in the hands of professional politicians whose claim to success often is that not-so-rare combination of ignorance and confidence (some would prefer the word "foolhardiness" to "confidence"). Mr Mehta took a quick glance at what has been the tradition in regard to management so far and the conditions that obtain today. Gone were the days, he said, when one had to choose his parents, as it were, in order to be a managing agent. It is now generally recognised that management ability is not an inherited trait. Accordingly the running of business or industry by the owners of capital is no longer considered an inalienable hereditary right, which explains why, even in advanced countries, few large corporations are now run exclusively by their owners. Indian business today also is becoming more and more dependent on the professional manager. The professional manager is not born, but made, or rather trained in the principles and practice of sound management.

In an article contributed to the convention souvenir, Mr Charat Ram made the point that "experience bears out that even a moderate expansion in economic development programmes tends to strain the available resources of management personnel, especially at higher levels. There is even the danger that we might have to slacken the pace of economic progress for lack of trained managers." The truth of this was forcefully brought out by the experience the ICICI had with the several new entrepreneurs it has had to help in the past few years. The ICICI, according to its chief, has financed 20 to 25 per cent new entrepreneurs—that is, people who have taken to industry for the first time—producing a variety of new products or new raw materials. Their lack of industrial experience was evident from the way in which they presented their projects and also, later, from the way in which they executed these projects, but, thanks to the sympathetic guidance of the ICICI experts, many of them could make the grade, but, as Mr Mehta observed, if the new entrepreneurs failed to make the grade, the ICICI could not help.

It was interesting to hear the remarks of Mr Mehta about how people with an engineering background and how people with a background of trade or finance reacted to certain situations or developments. In the particular instance of an engineer whose project the ICICI has financed, the engineer had considrable difficulties, particularly as regards financing and marketing (these are invariably the difficulties of all new entrants especially in the smaller industries group), although he had set up an excellent technical management system. His problem would undoubtedly have been solved, had he a professional manager or managers trained in these subjects, but this raises the question of capacity to engage their services. Be that as it may, even those with past experience of other industries have to face difficulties; for example, some textile mills which have branched into such lines as chemicals and engineering are not free from problems. Here the problem would appear to be the tendency to carry over the methods of managing a textile industry to the new industries. As Mr Mehta observed, many of the new industries, engineering in particular, need advanced planning of production, strict control on materials and inventories and cost accounting. He recalled how, in Japan, which has now become the world's largest shipbuilder, computers are used to build up the preplanning work on a ship and disclosed that Japan today takes more time on planning and designing a ship than on its actual construction. But, in this country, morchas are held to protest against the use of computers. We cannot too strongly endorse the view of Mr Mehta that, unless we are willing to change and become dynamic, we shall continue to lag behind other countries.

If the recession has brought home any lesson to us, it is the importance of scientific management. The industry today has grown in complexity and become highly competitive; we, who have all along enjoyed a sheltered market, have to trim our sails to the new winds. An essential feature of any scientific management is proper delegation of functions, the lack of which has proved to be the undoing of many old business houses and industries in this country. As Mr Mehta noted, the same man cannot do purchasing, administration, and marketing; each has become a full-time job, besides, requiring separate expertise. It is, therefore, gratifying that he could also vouchsafe that an increasing number of entrepreneurs are today willing to delegate functions and responsibilities. And he disclosed that when the ICICI officers seek to discuss problems of a given project, different persons specialised in their respective fields present themselves to carry on these discussions. The ICICI, we are told, actively encourages discussion not only with the top executives but also with shop superintendents and others at the floor level, perhaps to drive home the utter importance of delegation.

Mr da Costa made the point that, now that nature has blessed us, it is for man to seize the opportunity and exploit it to the fullest extent. This, he said, was the rare challenge to management today and he felt confident that, given the right approach to the problems posed by the five Ps as he called them— Population, Production, Prices, Payments and Politics—the country could turn the corner. But, in the process, he wanted more attention to be paid to agriculture and agro-based industries than capital-intensive industries with a low input-output ratio, an undue preoccupation with which since the second Plan has landed us in our present impasse. In his opinion, this country cannot hope to establish a record in any industry as such but, in agriculture, it has and can unquestionably hope to set up enviable world records, as, indeed, it has done in respect of per acre yield of wheat on the Punjab farms.

AN AMERICAN DIARY—II

Challenge and Response

THE EDITOR

FOR SOME years now the US economy has been turning everything it touches into gold. The process has been so rhythmic that it seems almost mechanical. Its GNP, which was around \$500 billion in 1959-60, has been swept up to a current rate of \$800 billion in one steady upward movement. The Americans love to describe their country affectionately as the richest bit of real estate on god's earth. This, however, is only part of the story, for there is the immense significance of the human factor. The American community, continually renewing itself both by natural reproduction and immigration, is an extremely dynamic social and economic force. It is the combination of vast natural resources and a very vital people which explains why so much of the world's wealth is a product of the American economy.

The productivity of American agriculture and industry is this century's outstanding miracle. About six per cent of the population of the USA is able, through its labour on the land, to feed the 200 million American people besides providing surpluses for export. It is also growing a wide variety of other agricultural products both for domestic consumption and for sale abroad. Even so, there are too many Americans on the land since, given the current levels of farm management and technology, half the number of people, now depending for their livelihood on agriculture, should be able to shift to other occupations without affecting farm production. There are now about three million farms in the United States; many believe that the optimum number would be 2.5 million or even less.

Economic Miracle

In industry there seems to be no limit to the upsurge of profits, investment and growth. Indeed, gigantic as the US economy is, it has not been large enough to accommodate all the expansionist urge of its industry. The result is that American capital, technology and management have been spilling across the Atlantic into western Europe. Economists and sociologists have been labouring all along to explain this phenomenon, but so dazzled are some of them by what they are supposed to analyse that, in their bewilderment, they could only exclaim that this American dream is too good to last. This economic miracle has been there, however, for the best part of a decade and, indeed, for most of the years since the last world war ended.

The secret of the American success after all may be quite simple and may be nothing else than that here are a people who want the good things of life, are willing to work for it and are fortunate in having a social ethos which encourages them in this and a political system which does not come in their way. The American economy is both consumption-oriented and work-oriented. This, perhaps, is why the vast military expenditure of the United States and its earlier diversion of resources to the Korean war and now the war in Vietnam have not subtracted from the growth of the American economy but in the last 20 years only stimulated it. Every little bit of new technology or machinery, even if developed primarily for its military utility, has been promptly found a thousand applications in civilian production. In other words, the war demands have only reinforced the immense propelling power of civilian consumption in pushing American industry to higher and yet higher levels of growth. Incidentally, it should be instructive to study to what extent the American defence budget has been responsible for the growth of west European and some south Asian economies, including that of Japan. The influence of American consumption as a factor of economic expansion is certainly not confined to agriculture and industry in the United States.

It is in the context of this innate and basic dynamism of the American economy that the current pressure on the dollar on the world's exchanges should be examined. It is true that the United States' external account is in the red. But this is not the result of any trade deficit; it is a balance of payments deficit to which such factors as military expenditure abroad, including the cost of the Vietnam war, development aid and capital movements, particularly into western Europe are contributing. It follows that it must be within the competence of the US government to relieve the pressure on the dollar should that pressure become really destructive by trimming its commitments in respect of one or more of the streams of dollar outflows just specified. It is because a number of other countries recognize this and are also aware of how such US action may affect them and their economies that they have come together to stem the so-called gold rush which is assailing the dollar. American investment and American consumption having become international in their impact, as we had noted earlier, the solvency of the dollar has also become a matter of international concern, all the more so because it is quite possible for the US government and the US economy to save the dollar by corrective action at the expense of other countries and their economies

I am therefore not inclined to attach much significance to the so-called run on the dollar following the devaluation of the £. For the United States, the parity of its currency is a wholly manageable issue of its foreign policy so long as the heart of its domestic economy continues to be strong and

"But he approves of integrating control with decontrol. Doesn't he?"

sound as it is at present. At the same time, even the vast and viable American economy cannot take its future for granted. Like other human institutions it is also subject to the emerging attitudes and actions of the people who constitute it. Right now there are quite a few developing social pressures which may have a lot to do with how the American economy looks as it enters the 'seventies of this century.

Chief among these pressures are the strains and stresses of the racial conflict. That there is this conflict today in the centre of the American body politic cannot and need not be denied. The American negro is determined not to be a second class citizen politically or a poor relation economically of the great American community any longer. In this aspiration he has the sympathy and support undoubtedly of the greater part of white America. The key issue is how well those who speak or act in his name can organize and exploit these sentiments on his behalf. The city riots of this year and the violence and vandalism unleashed against the towns and townspeople in different parts of the country, have, ironically enough, not been altogether destructive. They have made the sensitive more conscious of their obligations, forced the indifferent to shed their complacency and shaken the hostile out of their arrogance and into a state of wholesome fear. The lesson has been driven home to the American people that the line that divides extended expectation from explosive frustration is thin indeed and that the pace at which those at the bottom of the ladder would climb cannot be dictated entirely by the charity or convenience of those who are at the top. The question is where the American negro and the larger community of which he is a part will proceed from here.

Catalytic Riots

The answer to this must come in the main from those who would be the negro's spokesmen and his leaders. It is important, above all, that they should draw the right lesson from this year's civil riots. Catalytic as these riots have been in the sense already described, they have also left a legacy of bitterness and resentment. It is in the nature of all violence that it breeds greater violence and if militant negro leaders are to draw the wrong conclusion from this year's riots that only rioting pays, the result will be a major tragedy for the cause of the American negro and the American nation—for there can be little doubt that another attempt on the part of the American negro to use force to secure redress of his grievances will find the dominant white community well-prepared and fully determined to meet force with force. It is, in fact, the fear that there may be this violent confrontation in the slums and on the streets of American cities when the long, hot months of next year's summer arrive that must worry the American nation more than what President de Gaulle may be wanting to do to the dollar.

The responsibility that lies on the shoulders of the American negro and those who would lead him is thus very grave, indeed. If they follow the right course of constructive response and responsible citizenship and take the right decisions, they should be able to capitalise on the quickened conscience and the sense of urgency of the American people, in the wake of the negro protest and prompt and participate in a national programme for tapping the immense resources of the American economy for improving the social and economic conditions of the poor and the under-privileged. Already those conditions are improving with a promise of more rapid progress in the future. In social terms, the younger generation of Americans are mixing and mingling more and more freely among themselves without thought of racial taboos. This attitude is particularly marked in the urban communities and among the student population. The fact that the daughter of the US Secretary of State could choose to marry a negro young man from a middle class family surely speaks volumes and must teach humility to our own people who are only too well aware that, although the politicians and ministers in our midst swear by a socialistic pattern of society, when the wedding bells ring in our country, they seldom ring for a caste Hindu minister's daughter marrying a Harijan commoner, but usually peal for a rajah's son marrying another rajah's daughter.

Problem of Integration

The hard core of the integration problem, however, is clearly economic. While it is true that the number of the American poor has been reduced from one-third of the nation to one-seventh over the last 40 years, far too many of this submerged seventh happen to be persons who are of the wrong colour. Moreover, the technological and other economic forces which are continually propelling men and women out of marginal farming in American agriculture are particularly cruel to the poorest and the least equipped of the negroes who form the bulk of American farm labour. This means that the unemployed or the under-employed in the negro slums in the cities are steadily swelling in numbers as a result of the migration of the illiterate, the unskilled, the old and the infirm from decaying rural communities. All this poses a problem of relief, rehabilitation and above all technical training and education. It is also possible that, without deliberate planning by government and industry for the creation of employment opportunities of the kind which could readily absorb the type of manpower in the negro world for which gainful occupation has now to be provided, the economic issues of the racial conflict cannot be smoothly solved in time.

Perhaps the best possibilities in this direction lie in massive schemes of slum clearance and rehousing and the development of industrial complexes within easy reach of urban concentrations of the negro people. An effort of this order can get going only when the social consciousness has been aroused to a high pitch of urgency and the appropriate political impulses have been released in adequate strength. I believe from what I felt and found in the course of my travels in the United States that this essential pre-condition has been created and that a mighty partnership of progressive politicians and businessmen has come to meet the challenge constructively. I believe also that the United States, its foreign commitments notwithstanding, has enough potential in its economy to achieve the assimilation of its negro citizens into the ever-expanding affluence of its immensely productive agriculture, industry and commerce. It is a simple truth, after all, that given its high rates of saving and investment, its steadily rising standards of living and its aggressively forward-looking technology, the US economy is extremely well-placed to use all its available manpower for the production of wealth and more wealth.

(To be concluded)

Trends in World Trade—I

MANUBHAI SHAH

WORLD TRADE has been increasing fast since the end of World War II. In the last 15 years in particular, world exports multiplied more than three times, rising from US $ 56 billion in 1950 to US $ 203 billion in 1966. Different types of economies, however, have not shared equally in the growth of exports. The rate of increase in the exports of the developing economies has been much less than that of the developed market economies and that of the centrally planned economies. In fact, on account of the divergent rates of growth in exports the share of the developing economies in the total world exports declined from 34 per cent in 1950 to 20 per cent in 1966; that of the developed market economies increased from 60 to 68 per cent and that of centrally planned economies increased from 8 to 11 per cent during the same period.

The rising trend in world exports between 1960 and 1966 is shown in the following table:

WORLD EXPORTS: 1960-66

(In billions)

Year	US $
1960	128
1963	154
1964	172
1966	203

The rate of rise in world exports in 1955-59 was around 4.8 per cent. World exports between 1960-66 increased at an average annual rate of nearly 8.4 per cent. This rate is continuously going up.

Taking the first United Nation's Conference on Trade and Development as a landmark, the first six years of the 'Development Decade' may be divided into two parts: (i) 1960-63, i.e. the period before the United Nation's Conference on Trade and Development was established. We may call it the pre-UNCTAD period. (ii) 1964-66, i.e., the post-UNCTAD period.

From the ever-expanding world trade, the developed countries took away the lion's share as can be seen from the following figures:—

EXPORTS OF DEVELOPED MARKET ECONOMIES*

(In billions)

Year	US $
1960	86
1963	104
1964	116
1966	139

* Excludes the socialist east European countries.

During these six years of the 'Development Decade', the exports of developed market economies rose at an annual rate of 8.8 per cent as compared with 5.3 per cent during 1955-59. During the post-UNCTAD period (1964-66), the exports of the rich countries increased at an annual rate of 6.6 per cent as compared to the pre-UNCTAD (1960-63) rate of 5.2 per cent per annum.

The share of the developed market economies in world exports rose from 64.5 per cent in 1960 to 67.5 per cent in 1963 and further to 68.5 per cent in 1966. In other words, the rising share of the developed market economies in the world exports had continued even after the first UNCTAD in spite of the fact that the purpose of constituting the UNCTAD was to reverse this trend.

Exports of the developing countries, during the first six years of the 'Development Decade' 1960-66, showed the following trend·—

(In billions)

Year	US $
1960	27
1963	31
1964	35
1966	41

The exports of the developing countries during 1960-66 increased at an annual rate of 7.4 per cent as compared with 8.8 per cent rate of increase for the developed countries during the same period. The developing countries had accounted for 25.8 per cent of world exports in 1955. This share declined to nearly 21 per cent in 1963 and was about the same during the post-UNCTAD years of 1964-66.

EXPORTS OF THE SOCIALIST COUNTRIES HAVING CENTRALLY PLANNED ECONOMIES:

(In billions)

Year	US $
1960	15
1963	18
1964	21
1966	22

Exports of the centrally planned economies during 1960-66 increased at an annual rate of 6.7 per cent as compared with 9.6 per cent during 1955-59. These socialist countries which had accounted for a little less than 11 per cent of the world exports a decade ago had more or less retained their share in the post-UNCTAD period.

It is thus clear that the rates of rise of the exports of developed market economies and the centrally planned economies were higher than the global rate. On the other hand, although the exports of developing countries had increased somewhat after the UNCTAD this rate was still below the global level. In spite of the 'Development Decade' and the post-UNCTAD efforts, the developed countries had barely maintained their share of one-fifth of total world exports. This is indeed deplorable as the yawning gap between the poor countries and the rich countries of the world is indeed frightening and a danger to world peace.

During 1960-65, exports of developing areas to developed areas increased from $ 19.6 billion to $ 26.2 billion, i.e. at an annual rate of 5.6 per cent, as compared with $ 17.0 billion to $18.7 billion during 1955-59 which worked out to an annual rate of 2.2 per cent. Exports between the developing countries increased from $ 6 billion in 1960 to $ 7.6 billion during 1965, i.e. at an annual rate of 5.6 per cent as compared with the stagnant position between 1955-59. Exports of developing areas to the east European areas have increased at a more rapid rate. Between 1960 and 1965, these exports increased from $ 1 billion to $ 1.8 billion, i.e. at the rate of 16 per cent per annum.

The slower rate of growth of exports of the developing countries to the developed countries becomes more prominent if oil exports are excluded. The oil exporting developing countries' exports to developed market economies increased at an annual rate of 10 per cent during 1960-66 as compared with nearly four per cent in the case of exports of other developing countries to developed market economies. This shows that very intense policy measures are required to lift the export trade of the developing countries.

Of the total increase of $ 6.5 billion in the exports of developing countries to developed market economies between 1960 and 1965, $ 2.9 billion (44 per cent) were accounted for by fuel exports; $ 1.5 billion (23 per cent) were accounted for by food and beverages and $ 1.7 billion (26 per cent) by manufactures (including base metals). In the post-UNCTAD years, 1964-65, out of the total increase of $ 1.3 billion in the exports of developing countries to the developed countries, nearly 50 per cent increase was due to fuel exports. Considering that only a few countries participate in the export of fuel, the benefit of this increase accrued to a small number of countries which accounted for only four per cent of the population of the world.

The terms of trade of developing countries which were favourable during the second half of the 'fifties have steadily moved against them during the 'sixties. The quantum index (1958=100) of the exports of developed areas had increased from 88 in 1955 to 173 in 1965, i.e. an increase of 96 per cent as compared to which the developing countries' quantum index increased only by 66 per cent. However, the quantum index of imports of both the areas recorded the same increase i.e. 108 per cent, thus causing a further widening of the adverse balance of payments of the developing countries. The price index of the developing countries for their exports had declined from 105 in 1955 to 97 in 1965 whereas it had shown a rising trend in the case of developed areas, i.e. from 97 during 1955 it rose to 104 in 1965.

Exports of Primary Products

The share of the developed market economies in the world exports of primary products (excluding fuels) was about 74 per cent and that of developing countries 16 per cent during 1960-65. This shows that even in primary products, the rich countries which are less than one-third of the world's population commanded four and a half times more export trade than the export trade in primary products of all the developing poor countries having two-thirds of the world's population.

The following figures show world exports of manufactures (including base metals):

(In billions)

Year	US $
1960	65
1963	87
1964	99
1965	110

Thus between 1960 and 1965, world exports of manufactures increased at an annual rate of 15 per cent. Exports of manufactures from developed areas and developing areas of the world are shown in the following table:—

(In billion US $)

Year	Developed Areas	Developing Areas
1960	51	3.7
1963	71	4.8
1964	81	5.6
1965	90	6.3

This conclusively demonstrates the utter failure of the world trade policies to promote industrialisation and exports of manufactures of the developing countries.

It would thus be seen that the exports of manufactures from the developing areas had not kept pace with the global rate as well as the rate for the developed areas. It is a tragedy that even in the post-UNCTAD period the rate of growth in exports of manufactures of developing areas had gone down instead of going up. Whereas the share of the developed market economies in the world exports of manufactures had increased from 79 per cent in 1960 to 82 per cent in 1965, the developing areas had failed to benefit from the growth in the world exports and their share had remained stagnant at about 5½ per cent of the total. Two-thirds of mankind living in the developing countries of the world do not share more than one-twentieth of the world trade in industrial products. What a tragedy!

Import of Raw Materials

In contrast to the slow progress in their export trade due to the hesitant pace of their economic development, imports of the developing areas have been rising very fast. The reason why the exports of developing countries have been rising extremely slowly as compared to the developed and centrally planned economies lies in the composition of the exports of the respective groups of countries. The bulk of the exports of developing countries consist of primary commodities which have been hit by (1) the inelastic demand for primary products in the developed countries, (2) threat by substitutes and synthetics; (3) technological developments in the developed countries leading to economies in the use of the primary commodities, and (4) the rising tempo of industrialisation and growing population in the developing countries which consume at home more of their primary products leaving less surplus for exports and in many cases turning most of the developing countries into net importers of raw materials and food stuffs.

Due to the extremely sluggish expansion in the export of developing countries, their share in world exports has declined. This has happened at a time when the need to expand their exports is the greatest. Hence the need of the hour is a dynamic international trade policy which the industrialised developed countries should adopt in order to assure expanding markets to the developing countries.

(To be continued)

Co-operatives in Maharashtra

SRIKRISHNA VANJARI

THE SHORT-TERM and long-term loans to agriculturists amounting to Rs 142.97 crores through co-operative societies and investment of Rs 167 crores as deposits in co-operatives during the year ended June 30, 1966, are significant of the growth of the movement in Maharashtra state and popularity among and confidence of the investing public, says the registrar of the co-operative department in his annual administrative report published recently.

Primary agricultural societies, including sugar factories and other productive societies, engaged themselves in transactions in agricultural produce that amounted to Rs 95.10 crores. Nearly 15 per cent of the total loans advanced were obtained out of the sale of agricultural produce and were utilized towards repayment of the loans. Twenty sugar factories were in production. Out of the total membership in the co-operative sector of 6.80 millions, 2.75 millions were agriculturists. The share capital of all societies in the co-operative movement amounted to Rs 120 crores. The working capital was of the order of Rs 712 crores.

The report admits sporadic cases of malpractices that have brought disrepute to the co-operative movement in the state. Cliques in the movement that try to maintain their dominance and individual quarrels among persons backed up by political parties are also admitted in the report. The other evils are: exhibitionism of the leaders in the movement and jealousies engendered among their followers at the lower level. The leaders of the movement must take serious notice of these undesirable and destructive tendencies in good time and eradicate them in the interests of the co-operative movement, the report says.

Remarkable Progress

It is interesting to throw a glance at the growth of the co-operative movement in Maharashtra which has recorded remarkable progress. During 1964-65, it accounted for 9.97 per cent of primary agricultural credit societies numbering 201,000 in the country. It ranks second in national importance, as UP has the impressive percentage of 19.76. But the percentage of dormant societies in Maharashtra is only 2.52, as against UP's 6.04. In membership of societies, it similarly ranks second, accounting for 10.46 per cent of the total of 25.4 millions in the country.

In primary non-agricultural credit societies, Maharashtra ranks next to Punjab (15.92 per cent) accounting for 15.43 per cent of the total (in the country) of 13,729; in membership of these societies, the state occupies a dominant position with its highest percentage at 26.52 out of the country's total of 6.2 millions. In loans advanced by primary agricultural credit societies, it accounts for 20.54 per cent of the total amount for the whole country at Rs 316.16 crores.

The recent growth of co-operatives in Maharashtra is reflected in the figures since 1958-59. In that year, there were 24,896 co-operatives of all types and the number increased to 37,418 in 1965-66. Membership increased, during the same period, from 3.26 millions to 6.82 millions. Working capital increased similarly from Rs 188.57 crores to Rs 711.85 crores. The other figures of increases were: advances, from Rs 154.44 crores to Rs 619.87 crores, outstandings from Rs 102.10 crores to Rs 442.65 crores, and turnover/value of produced goods sold from Rs 52.63 crores to Rs 297.78 crores.

The year 1965-66 was a difficult one due to the Pakistani aggression. Also, Maharashtra was in the grip of a severe drought that necessitated land revenue remission in the case of 60 per cent of the villages in the state. The state and the country also suffered from acute price inflation. But these difficulties provided opportunities for the co-operative sector to enter new areas of activities e.g., participation in the monopoly procurement of foodgrains as government's agent and transactions in marketing, purchase and sale and establishment of consumers' stores for mitigating the distress and hardships experienced, particularly by the economically weak social strata. The devaluation of the rupee however had its repercussions for the societies importing machinery and equipment from abroad.

The table on page 1037 shows the position of different types of co-operative societies in 1965-66.

Noticeable Features

Two noticeable features in the working of the co-operative institutions in Maharashtra are their increased participation in the programmes of improved food production and the efforts being made to ameliorate the suffering and hardships of the rural as well as the urban population under conditions of acute price inflation through consumers' stores.

The report reflects the general growth of the co-operative sector in the state during the period covered. Thus, co-operative institutions of all types have a share captial of Rs 120 crores, out of which government's contribution amounts to Rs 18 crores. The co-operatives' own capital amounts to Rs 161 crores, as against their working capital of Rs 712 crores. The co-operatives have collected deposits amounting to Rs 167 crores, while the loans advanced by them are of the order of Rs 188 crores. Their profits amounted to Rs 8.9 crores, as against a net loss of Rs 3.1 crores. The loss is causing anxiety to the government.

The report also says that, compared with other states, the achievement of the primary agricultural and non-agricultural co-operative societies in Maharashtra would be found striking in almost all respects. The scope of the co-operative movement is widening and its field of activities has also expanded. But, although definite progress is discernible in the provision of credit, co-operative sale and processing, decline is noticed in the working of the industrial co-operative institutions and co-operative farming institutions. The housing and consumers' societies too have attracted the attention of the general public, but, in their working in many places, are found dishonesty, frauds, misuse of money secured from the government and credit institutions, embezzlement, dissensions among members, exploitation of gullible members by clever but cunning persons and abuse of the patronage extended to co-operative institutions by the government.

There were 20,035 agricultural credit societies in the state and their membership numbered 2.74 millions in 1965-66. Out of these societies 13,930 were service societies. Almost all villages in the state were covered by agricultural credit societies. Marketing societies, on their own initiative, purchased foodgrains of the value of Rs 40 lakhs. Foodgrains of the value of Rs 18.27 crores were purchased under the monopoly procurement for the government. As many as 6,887 agricultural credit societies supplied agricultural requisites valued at Rs 13.36 crores. Over 9,000 societies provided articles of daily necessaries to both members and non-members valued at Rs 28.73 crores. This marks an increase in the transactions of 71 per cent over the previous year.

The agricultural societies had plans to supply to farmers improved and hybrid seeds for covering 1.8 million acres. The programme further included production of improved seeds in

WORKING OF CO-OPERATIVE SOCIETIES IN MAHARASHTRA IN 1965-66

Type	No. of Societies	No. of Membership	Working Capital (Rs. lakhs)	Profit (Rs. lakhs)	Loss (Rs. lakhs)
Credit					
State Co-operative Bank	1	4,664 (persons) 1,205 (societies)	9190	60	...
District Central Banks	25	27,661 (persons) 27,001 (societies)	13,247	119	...
Agricultural Credit Co-operatives, including ...	20,035	27,44,000	12,188	155	113
marketing	299	...	...	...	...
Agricultural Requisites	6,887	...	...	...	...
Consumer goods	9,146	...	...	...	...
Land Mortgage Banks etc.					
Bombay State Land Mortgage Bank, Ltd. ...	1	...	55,77	23.54	...
Primary Land Development Banks ...	27	5,26,000	5282	9	16
Urban Credit Societies and Banks ...	215	5,74,000	4578	72	3
Non-agricultural Credit Societies ...	2,040	12,05,000	3453	99	2
Industrial Co-operative Bank	1	486 (persons) 434 (societies)	130	2.76	...
Marketing					
Maharashtra State Co-operative Marketing Federation	1	1,191	1136	14.43	...
District Purchase & Sale Unions	21	29,758	419	24.92	0.11
Taluka Purchase & Sale Unions	314	1,59,000	1022	61.36	3.52
Cotton Sale Societies	17	10,386	24.96	0.49	0.67
Fruits & Vegetables Sale Societies	44	12,378	...	3.28	0.32
Betelnut and Tobacco Purchase and Sale Societies	17	4,473	12.54	0.54	0.08
Societies in Cotton Ginning etc. Rice Mills, Gur and Khandsari, Fruits & Vegetables	329 & 149 active	1,34,445	450	2.09	4
Consumers & Co-operatives Federations					
Wholesale Co-operative Consumers' Stores ...	383	97,000	...	16	0.23
Primary stores	1,303	2,68,000	...	29	4
Agricultural Societies					
Lift-irrigation Societies	153	18,819	2.15	4.33	4.16
Co-operative Sugar Factories	24 (20 in production)	62,000	54.23	39	318
Joint Agricultural Societies	409	7,059	80.02	2.30	4.24
Collective Agricultural Societies	714	18,319	136	6.37	13.48
Poultry Co-operative Societies	126	...	92.78	0.27	4.59
Fisheries Co-operative Societies	1 (In Bombay)	3,102	3267	0.10	...
Primary & Central Fisheries Societies ...	290	47.956	72.40	3.75	1.37
Milk Production Federations	36	4,007	80.88	3.44	4.28
Primary Milk Societies	1001	52,477	95.19	6.51	2.26
Housing:					
Small Income-groups, Industrial Workers & Backward Classes, Flood Victims & General Co-operatives ...	4073	1,78,327	4124	1.11	...
Maharashtra Co-operative Housing Finance Corporation	1	1,062	...	1.11	...
Industrial Co-operatives:					
Handloom Weavers' Societies	701	70,774	326	4.82	5.82
Powerloom Societies	69	10,282	122	1.83	1.10
Federations of Neera & Tadgul	2	1,735	6.87	0.02	1.29
District Industrial Co-operative Federations ...	24	7,060	...	0.57	0.32
Industrial Co-operative Estates	57	4,537	...	1.98	1.59
Forest Workers' Co-operative Societies ...	426	40,584	56.05	34.33	4.44
Labour Contract Societies	901	41,346	8320	5.88	4.08
Primary Industrial Societies in tanning, potteries, leatheries, handicrafts and rural industries ...	2,284	1,01,038	398	1.89	6.86

an area of 75,000 acres. The Reserve Bank of India had agreed to give a special loan of Rs 5.72 crores but as fertilisers and seed in adequate quantities could not be obtained, an expenditure of only Rs 78.19 lakhs was incurred. The consumers' stores purchased goods worth Rs 44.73 crores for distribution.

In these and other activities, the apex co-operative bank, namely, the Maharashtra State Co-operative Bank, played a vital role. The deposits in the bank increased from Rs 39.14 crores during 1964-65 to Rs 49.59 crores at the end of the year under review. The repayment of loans also increased correspondingly and its proportion to the amount of loan came down from 0.2 per cent to 0.1 per cent. The bank undertook the responsibility for providing special finance for the programme of monopoly procurement and drive for improved food, as well as for consumers' stores encouraged by the Government of India. Maharashtra is the only state in India in which the finance required for implementation of this scheme is provided by a co-operative bank. The bank's industrial committee has also helped the establishment, with Japanese collaboration, of a fertilizer plant in the co-operative sector with a capacity of production of 66,000 tonnes each of ammonia chloride and soda ash. The bank has also established a stabilization fund for facilitating conversion of short-term loans into long-term ones to enable the debtors to tide over their difficulties which appear to be of temporary duration.

During the year under review, the state government gave to the co-operative institutions for implementation of both the five-year Plan and non-plan projects Rs 2.74 crores as financial assistance, Rs 2.93 crores as government's contribution to share capital and Rs 9.46 crores as loan. Under the third five-year Plan, there was for 48 schemes under different heads a total provision of Rs 18 crores, against which the expenditure actually incurred amounted to Rs 25 crores as indicated alongside.

The report states that, during the third five-year Plan, the country had to face the effects of the Chinese and Pakistani military aggression. The situation in the state was aggravated by two bad agricultural seasons. That is why the target in respect of short-term and medium-term loans could not be attained. As the crop situation produces its effect on recovery of loans, the outstandings increased from 22 per cent to 32 per cent, and, in effect, the target for supply of credit could not be fulfilled.

Similarly, the target of Rs 50 crores in respect of long-term loans fell short by 1.24 crores. The membership which was planned to be increased to 3.8 millions could be increased only to 2.8 millions. At the same time, the picture of actual achievement is not bad. In some items, the targets were even exceeded. For instance, the economic foundations of state and district banks were strengthened beyond expectations. The target for deposits was fixed at Rs 96 crores but deposits of the order of Rs 120 crores were actually collected.

(Rs lakhs)

General Head of Scheme	Provision	Expenditure
Minor irrigation	145.44	454.33
Milk development	12.00	15.00
Fisheries development	16.00	17.25
Godowns & marketing	125.00	109.38
Co-operative organization	844.85	1191.73
Development of labour contract societies	5.00	18.82
Large and medium-scale industries	100.00	189.47
Small-scale industries	300.63	315.62
Housing	40.00	19.45
Uplift of backward classes	262.70	169.85
Total	1,851.62	2,500.95

Problems of Trade Unionism

M. R. MEHER

TRADE UNIONISM in India, though not in its infancy, has to face a number of problems. The National Labour Commission which is examining every aspect of industrial relations has, in its questionnaire, framed as many as 40 questions on trade unions, their leadership, organisation, multiplicity of unions, etc. Among the questions are: "What are the advantages and disadvantages of industrywise unions? What are the advantages and disadvantages of naming the union as a sole bargaining unit? What are the advantages and disadvantages of union registrations? For determining the representative character of a trade union for the purpose of grant of recognition should the method of election by secret ballot be adopted?" The first three questions set out above are worded like university examination questions, and to attempt to answer them fully one would have to write essays, beyond the scope of a short article. I propose to deal briefly with the question whether unions should be recognised industrywise or unitwise and with the controversial question of the secret ballot for determining the representative character of a union for the purpose of recognition.

In general it can be said that the advantage of industrywise unions is that they help to standardise wages, conditions of work and thus help to reduce industrial disputes at the unit level. Industrial unions would be larger and have greater financial strength. On the other hand, the disadvantage is that there may be circumstances in an industry where differentiation ought to be made between prosperous, marginal and losing units in which case rigidly standardized wages, dearness allowances etc. may drive some units out of existence. Further, individual and local grievances can be better attended to by unitwise unions than by large industrywise unions.

No categorical answer can be given on the question whether unions should be recognised industrywise or unitwise. It would depend on the history and circumstances of the particular industry in a region or area. In areas where there are a number of homogeneous units with a history of industrywise bargaining, it would be feasible and desirable to give the rights of bargaining and exclusive representation before conciliators and tribunals to the industrywise union, as is done, for example, in the states of Maharashtra and Gujarat for industries notified by the state government under the Industrial Relations Act of the state. In these states one of the industries so notified is the cotton textile industry. In this industry, in both these centres, a strong and stable representative union has grown up with a history of satisfactory industrial relations with the employers, and the unions have also been able to devote due attention to varied welfare activities for the workers. An American writer, V. D. Kennedy, who has made a long and close study of trade unionism in India has, in his book 'Unions, Employers and Government', observed :

"Government policy abetted by INTUC moderation, has created a situation in which Bombay textile workers are, in effect, represented by two unions, one committed to peaceful methods but enjoying government approval, the other committed to militant action, having no negotiating rights but having access to extra-legal labour relations processes. It is as though the workers were invited to make the best of both systems. How are workers to learn the meaning of discipline and of responsible unionism, how are relations to grow orderly and mature when responsible conduct fails and disorderly methods succeed? Other cases of extra-legal intervention by government officials in disputes differ only in details; the harmful effect on quality of unionism and labour relations is too common."

The remedy for this situation is that the government should not negotiate with the unrecognised unions nor with the so-called "action committees", but only with the representatives of the union recognised under the Act.

I have stated above that the system of industrywise recognition has worked well, by and large, in the industries to which the state Act has been applied. There has also been no noticeable conflict of interest between workers of different occupations such as clerical and technical workers and operatives and the recognised unions have been able to safeguard the interests of the workers in the different occupations. On the other hand, in regions and industries where there is a history of unitwise unions and employers and workers are satisfied with the arrangement it would not be desirable to force on them industrywise unions.

Differing Standards

In regions and industries where the system such as that of the Bombay Industrial Relations Act does not prevail, questions sometimes arise whether separate unions of particular crafts or occupations should be recognised or recognition should be given only to one union for the unit of the industry concerned. When one speaks of "multiplicity of unions" as a bane of trade unionism in India, one refers usually to more than one union representing the same workmen or entire number of workmen in an industry or concern, and not to cases where there is a history of separate occupationwise representation. Where there are separate unions representing the interests of a particular craft or occupation it may, in certain circumstances, be necessary to recognise them. In legislation to provide for statutory recognition of a union as a bargaining unit in an industry or concern it would be necessary to provide for an agency, such as the Labour Commissioner, to provide for determining a bargaining agency where there is a dispute. In making this determination two conflicting objectives of labour policy have to be reconciled. Recognition of occupational unions, if carried to the extreme, would result in fragmentation of collective bargaining and raise problems arising from multiplicity of negotiations. On the other hand, a general policy of non-recognition of occupational unions would mean that interests of particular crafts which have little mutuality of interests with the other workmen in the concern and which have a history of separate representation would be neglected. The appropriate authority in determining the bargaining unit may have to take into consideration factors such as the past history, the mutuality of interests between the employees, etc. For instance there is a history of separate representation of certain classes of employees in the airlines companies as also in the Life Insurance Corporation and in such cases it cannot be insisted on that all employees must be represented by one union.

We now come to the question of the use of the secret ballot for recognising the majority union. Under the existing system for determining the majority union, the appropriate government authority makes inquiries, examines the records of members and payment of subscription for the required period, considers the objections of each union to alleged membership and determines the majority union. The procedure does take considerable time.

Regarding the proposal for secret ballot, who is to be given the right to vote? If all workmen in an industry or concern are given such right the non-union members who in many cases are likely to be in a majority would determine which should be the recognised union and this would not be right. There would be little incentive for workers to join unions which, as it is, in many cases are suffering from lack of adequate funds for union activities. A trade union leader who may be an outsider may whip up agitation at the time of election and win the election for a particular union which has had small membership. Elections may be won by swaying the voters on some momentary issue and the voters may regret their action soon after the election. In the American system where the secret ballot is used, it has been observed by Prof. N. W. Chamberlain in his book the 'Labour Sector': "Representative elections are usually occasions for intensive campaining.... Unions attempt to whip up enthusiasm for their cause by vilifying the employer...... If two unions are running against each other, there is likely to be a good deal of mudslinging, with each telling the worst about the other." If such is the state of affairs in the USA, the position would be worse here, with a large number of illiterate workers. The example often given of election to the legislatures by secret ballot is not appropriate and trade union organisations are not on the same footing as the election of representatives by an electorate to the legislature, for the whole of the period of the legislature which may be for five years. The electors in a parliamentary democracy are not required to be registered members of a party or to have paid subscription to it and

The Double Crown

they elect the persons who should represent them and not the party.

If the right of election is confined to workers who have been members of a union for a particular period, then again there would be the same delay as in the existing system under which the appropriate government authority has to make inquiry, hear objections as to bogus membership and decide about number of members of each of the rival unions who have in fact paid subscription for the required period. If, for instance, the authority determines, after inquiry, that one union has existing membership of 500 workers who have paid subscription for the required period and another has, say, 300 members, the position becomes clear though it gives opportunity to a worker who has been member of a particular union and has been paying subscription to it, to vote for a rival union of which he has never been member. If there are two or more unions a worker would not prefer to be a member of a particular union and pay subscription to it if he prefers the other union. If a ballot system is introduced there would have to be provision to deal with complaints regarding corrupt or illegal practices. Election laws regarding election to legislative bodies and municipal bodies have such provision. Such complaints will have to be dealt with by an appropriate authority who would have to decide the matter after taking evidence, and this would also involve delay.

It is reported that the Administrative Reforms Commission has suggested to the government that "a system of election should be introduced in the public undertakings under which workers elect their representatives to negotiate and bargain on their behalf in all labour matters, the election to be held every 10 years on the basis of each worker having one vote." Such a system would have the same disadvantages as those referred to in the preceding paragraphs and would impede the growth of a healthy and stable trade union movement thriving on sustained membership of subscription paying workers, and may enable the election of persons who are not true and genuine representatives but may sway the election by making promises to the workers at the time of election without regard for the capacity of the concern.

On balance it appears to me that a ballot system is not suitable for determining the majority of a union in the conditions prevailing in India. It would not make for strength of the trade union movement or make for stable unions which should have adequate membership over a period and adequate funds from subscriptions. It will also not make for good and healthy union-management relations. There is, however, a case for improving the existing machinery of verification so as to make it less cumbersome and dilatory, and more foolproof and effective.

WINDOW ON THE WORLD

Australian Standards Lead the World

INTERNATIONAL STANDARDS are of increasing importance to Australia's growing export trade. Through its international affiliations, the Standards Association of Australia (SAA) presents the Australian viewpoint to the International Organisation for Standardisation and the International Electrotechnical Commission. Some of the SAA's newest standards are regarded as being in advance of any in the world. Among these is a new code for pressure piping, designed to unify requirements for piping which carries pressure in industrial use. This code is expected to assist the construction in Australia of a number of new power stations in which extensive use is made of piping.

Another SAA code regarded as a world leader covers high strength bolts used in civil engineering. Organised standardisation was first established in Australia 45 years ago, and today there are more than 3,000 subscribing members in Australian industry, and more than 1,500 published standards. Lessons learned during World War I and the growing industrialisation of the country brought home in the early 'twenties the vital need for established standards of production in Australia.

The first step was formation of the Australian Commonwealth Engineering Standards Association in 1922 as a result of the combined efforts of a number of professional organisations. In 1927 this association sponsored the formation of a kindred body, the Australian Commonwealth Association of Simplified Practice, aimed at simplification of commercial practices by agreement. In 1929 the two associations were amalgamated to form the present body, the Standards Association of Australia, which was incorporated by Royal Charter in 1950.

Membership of the Association

Subscribing members of the association comprise individuals, private firms, trade associations, semi-government and government departments and other bodies, which make annual contributions to the funds of the association. The association has a permanent staff comprising a director, deputy director and technical director, professional staff, and administrative and office staff. An independent organisation, it is governed by a representative council of 63 representatives, which is responsible for general policy determination. Members of the council are nominated representatives of professional and scientific organisations, of manufacturing and commercial organisations, and of federal and state governments and government departments. As sub-committees of the council, there are executive, finance and staff appointments committees. Preparation of standards is the responsibility of the representative committees comprising nominees from industry and commerce, professional and research organisations, and government departments.

Specifications and codes are not initiated by the SAA itself. The proposal first comes from industry, from a government department, or from some interested organisation. If approved, the subject is referred to a committee, and when a reasonably complete standard has been drafted it is circulated widely in proof form, usually for about three months. Interested industries and individuals are invited to comment and suggest alterations and improvements. This comment is sifted by the committee and any alterations considered advisable are incorporated. The draft is then submitted by postal ballot to each member of the committee. If approved, it is sent to the SAA council for publication. The result is the collaboration of all interests, and the standard embodies the best practice agreed upon by a consensus of industrial leaders and technical experts.

The association deals with standard specifications for quality, dimension and other essential requirements, materials, codes of practice, methods of testing and analysis and glossaries of terms—each of vital importance in its own field. The association has no mandatory powers and is essentially a service organisation, operating by voluntary and democratic procedures. It undertakes the preparation only of such standards as are requested by industry and then only after inquiries have confirmed that there is general support for the preparation of a standard.

The adoption of national standards is on a voluntary basis, and standards promulgated by the association do not have any statutory force of their own right. In so far as they are purchasing specifications for materials, dimensional standards or standards covering terminology or methods of test, their adoption is a voluntary matter with the various organisations concerned. There are, however, certain standards affecting safety of life or property which are adopted by the appropriate state government departments as the basis of statutory regulation. By December 1966 the association had published 1093 standard specifications, 99 standard codes, 316 interim and emergency specifications and 16 miscellaneous reports. It has industry committees supervising preparation of standards in the following fields: electrical, mechanical, chemical, building and civil engineering, packaging, timber, plastics, textiles, clothing, lighting, ferrous and non-ferrous metals, safety, dairying, water, sewerage and draining.

There are some 260 committees engaged in preparation of standards in the form of specifications, codes, methods of test, glossaries, etc. for nearly 500 projects, ranging from household

Eastern Economist 20 Years Ago

DECEMBER 12, 1947

The revised food policy of the Government of India accepts the basic recommendations in favour of progressive decontrol, which a majority of the members of the Foodgrains Policy Committee has made. It will not be profitable to discuss at this stage whether the Government has done the right thing. We have amply argued in these columns that the time for decontrol, progressive or otherwise, is not yet; the decision has been taken, however, and it now remains to examine whether the actual programme of decontrol has been so framed as to reduce risks to a minimum.

It may be stated at once that we are greatly relieved to find that the Government proposes to be very cautious and circumspect in withdrawing the various controls. This is due to a very great extent to the fact that the Government themselves are not wholly satisfied that the new policy will not be attended by serious consequences, although they "consider that the risk involved in a policy of progressive decontrol of food should be taken in the larger national interests"; we are told that the voting in the Cabinet over this issue was very close. In fact, there has been no unanimity of opinion at any of the more important stages through which the new policy has taken shape. The Purshotamdass Committee was not unanimous in its recommendations and there was a dissenting minority of three who prescribed rigorous enforcement rather than relaxation of controls as the proper policy for at least one year ahead.

furniture to steel structures. In 1966 the SAA registered the Australian Standards Mark. This is available, under licence, to any manufacturer who can satisfy the association that he is producing articles which comply with an appropriate published Australian standard, and is prepared to enter undertakings which include observance of general rules governing the use of the mark and of specific supervision and control requirements.

Qualification of a manufacturer for the mark is judged on independent tests, inspection of the manufacturer's plant, agreement by the manufacturer to abide by a scheme of supervision and control and regular follow-up inspections by the SAA inspectors. The Australian Standards Mark provides an independent assurance to a manufacturer's customers that the articles are being produced under an effective system of quality control to meet a given standard. Proposed legislation in several states of Australia will provide that automobile seat belts must bear the Australian Standards Mark. Plans are also under way in some states to make the Standards Mark compulsory for boat life jackets and motor cycle protective crash helmets.

Nigeria's War Damages the Economy

MADAN M. SAULDIE

IT HAS been estimated that the war in Nigeria has cost £50 million and 50,000 lives since the army take-over in January last year. This estimate obviously excludes another £100 million which Nigeria has lost in investment opportunities during this period.

Despite the confidence and optimism the federal leaders have been displaying about a rapid recovery in the country's economy, it must be said in all fairness, that it cannot be achieved so easily. It might take years of austerity in governmental spending, accompanied by continued political stability, before the speed of economic development rises to the level prevalent prior to the outbreak of hostilities.

In view of the slowdown in business in the public sector, there has been a growing pressure on governmental spending. Although the gross revenue is higher than that in 1965-66, it has fallen far below the estimates in 1966-67. The largest impact, however, has been felt in the balance of payments resulting from the poor inflow of capital investments from abroad. Some relief was felt in the surplus in the merchandize trade which in 1966 was £26.8 million as against a deficit of £6.9 million in 1965. But this is accounted for more or less by the fall in imports by £19 million in 1965 to £256 million in 1966, primarily due to local production of petrol which virtually met the entire domestic demand. Further, there was an upward trend in exports in 1966, petroleum giving the major boost contributing from one-fourth in 1965 to one-third in the 1966 exports. But this does not present a satisfying picture. Nigeria, for instance, has not been able to make full use of its association with the EEC which might have brought about a record rise in exports.

Downward Trend

But the trend witnessed in 1966 has not been maintained, not to talk of improved, during 1967 because of the outbreak of the civil war. Finances for the war have been obtained from a reduction in government expenditure as well as by monetary means. This has not only lowered the pace of business activity but also caused lack of faith which is so necessary for any economy for attracting the much-needed foreign capital.

Cocoa, groundnuts and oil are the principal exports of Nigeria. While in respect of cocoa and groundnut record crops have been reaped, oil extraction has suffered a major setback, since oil is located mainly in the area called Biafra which has been the centre of fighting and the relations of the oil companies have not been cordial either with the federal government or the Biafra government. Nigeria could not make the best of the crops as well, as evacuation of the produce has become a major problem. Transport and communications have been badly damaged and most of the roads have become unmotorable. Some key bridges have also been blown up during the fighting. Flight of labour from duty has been another misfortune of Nigeria's economy.

Thus, even though accurate estimates of the damage to the economy due to war will be made only after it comes to an end, considerable damage is evidently apparent.

It is comforting, however, to note that efforts have already been initiated to move toward economic recovery. Chief Awolowo, federal Commissioner for Finance, has announced stringent measures to meet expenditure and to pay for the war damage. These measures include limiting governmental spending including a cut-down in diplomatic missions abroad, suspension of work on some capital projects, increase in import duties and company taxes, imposition of restrictions on imports, and compulsory savings of five per cent on all salaries (excluding those of the low-income groups) for one year.

These are no doubt wise measures to rejuvenate the economy. But more important at present would be the cessation of hostilities. For, if the fighting goes on, the benefits accruing from these measures may be simultaneously nullified.

The moving finger writes

IT MAKES one laugh that, while the Congress is messing about with the privy purses and privileges of ex-rulers, a new breed of royalty is rearing its lofty head in each and every part of our country. Almost overnight chief ministers and speakers of state assemblies have been proclaiming themselves sovereign and it may not be long before governors too blossom into crowned heads. Even those prophets of gloom who are for ever predicting that this country would disintegrate in its independence cannot have anticipated this particular process of fragmentation. It is said that this country would break over the language issue, or through regional antagonisms, or because of caste differences, or thanks to communalists, or by the labours of a communist fifth column. But, before there is a chance of any of these things happening the country seems to be breaking up under the sheer pressure of power-grabbing individuals. The essence of a democratic form of government is that those who would rule in its name should always be ready to lay down office so that those who are wielding power at any given time may be seen to wield it only because the majority of the people wants them to do so. In today's situation, however, every holder of political office, be he or she president, prime minister or just any minister, seems to believe that he or she has a divine right to remain where he or she is "until death do us part".

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It is no discredit to the central government that it has been taken unawares by the Speaker's coup in West Bengal. The conduct of Mr Bejoy Banerjee was so arbitrary that it could not have been anticipated. His very excesses, however, have completed the exposure of the ulterior motives and the ultimate designs which the communist extremists were harbouring when they got into the government and pretended to function as a political party which had accepted democratic conventions. Now, at last, it is clear that a society which seeks to remain free cannot afford to enter into any compromise with anti-democratic forces. The Congress party is paying for its equivocations. But so many other political parties are also to blame. The so-called democratic socialist parties have been only too ready to consort with the communist groups in coalition ministries, while even the Swatantra party and the Jana Sangh have committed the folly of countenancing electoral alliances with the communists. I hope the West Bengal developments will be an eye-opener to all of them and that, as a result, it will not be as easy for the communists in the future as it had been in the past to exploit democratic institutions and processes for destroying democracy itself. Perhaps there is a glimmer of encouragement in the action of the DMK government in Madras which has firmly dealt with local communist disturbers of the peace in the wake of the dismissal of the United Front ministry in West Bengal.

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The issue of who is to be the next president of the Congress has been resolved in a way which completes the eclipse of Mr Kamaraj in the higher counsels of the party, but without bringing any new triumph to Mrs Indira Gandhi. On the contrary, the Prime Minister has very definitely been shown the limits of her authority in the affairs of the party. It is no secret that Mrs Gandhi would have preferred to be both Prime Minister and Congress president, or, failing that, to get elected to that office one whom she could hope to keep tied to her apron strings. As matters turned out, however, she could bring about the discomfiture of the present Congress president only by accepting the inconvenience of the new Congress president being a strong party leader who could, if he would, function in his own right.

By moving Mr Nijalingappa from the Vidhan Soudha in Bangalore to 9, Jantar Mantar Road, New Delhi, the Congress party may well be doing itself more harm in Mysore than good in all-India. In the caste-ridden politics of that state, factional rivalries among Congressmen lie too closely to the surface for the lid of aggressive and cunning leadership to be removed without the cauldron boiling over. In the circumstances Mr Nijalingappa may be strongly tempted to act the dual role of managing the Mysore Congress and perhaps the Mysore government by proxy while presiding over the party at the national level. He is to be warned that he cannot do so without running certain risks. The example of Mr Kamaraj should be a deterrent to him. It was just because Mr Kamaraj attempted such a dual role in relation to Madras state that this region was lost to the Congress without his even knowing it. It is important that the prestige, sense of responsibility and initiative of the local party organisation or government should not be sapped by the practice of overlordship by power-greedy satraps. Mr Nijalingappa will also do well to remember that, under favourable circumstances, the PSP in Mysore may well develop into as formidable a challenge to the Congress as the DMK has turned out to be in Madras state.

Incidentally, it must be some relief to Mr Y. B. Chavan that Mr Nijalingappa, as Congress president, may to some extent be handicapped by the obligations of that office in campaigning for Mysore in its territorial dispute with Maharashtra. There is, however, the possibility that, from his new vantage point in the party hierarchy, Mr Nijalingappa may be in a stronger position to bring pressure to bear on Mrs Gandhi behind the scenes to get the Government of India to do the right thing by the Mahajan report.

Finally, it should be interesting to know what was in it for Mr S. K. Patil, for Mr Patil not only has his price but is also usually able to exact it. I doubt, however, that he has been able to strike a bargain with the Prime Minister for a seat in the central cabinet. Since the high commission in London and the embassy in the United States have had their new chiefs announced, I am rather at a loss to guess what exactly the deal is. Perhaps another berth is to be found for our present ambassador in Moscow so that a vacancy may be created for Mr Patil. If Mrs Gandhi does this, she would earn our thanks for making it possible for our foreign policy to be more exciting than Mr Swaran Singh's pedestrian dullness would allow. Some may point out that Mr Patil is not exactly loved in the Kremlin. But I do not expect this to create any difficulty, considering the spirit of give and take that seems to be sweeping over international relations these days. When Mr Shanti Swarup Dhawan is not "persona non grata" with Whitehall, there is no reason why the red citadel should not roll out the red carpet for Mr S. K. Patil.

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Although Mr Morarji Desai is postponing the fourth Plan for lack of foreign aid, Maharishi Mahesh Yogi, I am glad to note, is not having any trouble with raising funds abroad for his projects in Rishikesh, Kashmir or elsewhere. Here is a lesson for Mr Dinesh Singh. Instead of racking his brains over incentives for exporters or penalties for those who would not or could not export, he should reconstitute the Board of Trade with swamis and sadhus who might advise him on how to turn our spiritual heritage into dollars, D-marks and yens (not to speak of devalued pounds).

V.B.

Trade Winds

GOODWILL MISSION

THE COMMERCE Minister, Mr Dinesh Singh, left for Sydney on December 4, as the leader of the goodwill delegation sponsored by the '77' to Australia, New Zealand and Japan. Representatives of Algeria, Chile, Venezeula and Philippines will be the other members of the delegation. Mr Dinesh Singh will stay in Canberra, the Australian capital, for two days and will leave for Wellington on December 9, 1967. He will reach Tokyo on December 13, 1967, and will return to the capital on December 15.

The Charter of Algiers adopted by the ministerial meeting of the Group of '77' on October 24, 1967, had decided to send high-level goodwill missions to countries belonging to the other groupings of member-countries of the UNCTAD. These missions will inform the governments of the countries to be visited by them of the conclusions of the meeting of the Group of '77' and persuade them to contribute to the creation of the best possible conditions for negotiations on the programme of action at the second UNCTAD here.

There will be six high-level goodwill missions to visit capitals of developed and socialist countries composed of at least one and if possible, two special envoys accredited by heads of state from each of the three regional groups within the Group of '77'. Each mission will submit its report to the president of the ministerial meeting who, in his turn, in co-operation with the co-ordinating committee, will forward these reports to all the developing countries, members of the Group of '77', as soon as possible. The president of the ministerial meeting of the Group of '77', Mr Bouteflica, is to present the Charter of Algiers to the General Assembly and to the Secretary-General of the United Nations.

FALL IN L.I.C.'s NEW BUSINESS

The report of the Life Insurance Corporation of India (LIC) for the year ended March 31, 1967, disclosed that about 1.5 million proposals were received for insurances amounting to Rs. 816.33 crores. The number of policies issued was a little more than 1.4 million for a sum of Rs 770.27 crores. In the previous year, while about 1.6 million proposals for Rs. 836.34 crores were received, the number of policies issued was more than 1.5 million for a sum of Rs 797.79 crores. These figures show a fall in new business of the order of about Rs 27 crores. The policies issued in the rural areas constituted 36 per cent of the total number of policies issued in India. Their total value was Rs 217.22 crores—28.7 per cent of the total new sums assured in this country. The total value of life insurance business in force on March 31, 1967, was Rs 4,736 crores covering 12.14 million policies, including policies underwritten outside India.

The history of the lapse ratio for the last five years shows that after having reached the peak level of 8.2 per cent in 1963-64, it dropped to 7.2 per cent in 1965-66 but registered a slight increase in the year under review to 7.4 per cent. Under 'general insurance', the LIC has registered a remarkable increase in premium income. Whereas in 1965-66 the gross direct premium income was of the order of Rs 2.57 crores, it jumped to about seven crores of rupees in 1966-67. The LIC has taken an active part in the housing schemes and has advanced large sums of money to state governments for financing the middle-income group housing schemes, the rental housing schemes, the village housing project schemes, etc. The mortgage loans inherited by the LIC at the time of nationalisation, were valued at Rs 3.78 crores. The corporation has granted mortgage loans of the order of Rs 17.25 crores taking the total to Rs 21.02 crores.

PROBLEMS OF TAXATION

The Second all-India conference of tax executives convened by the Federation of Indian Chambers of Commerce and Industry (FICCI) was held in New Delhi on November 27 and 28. It was inaugurated by Mr K. C. Pant, Minister for Revenue and Expenditure in the Ministry of Finance, Government of India. There were three technical sessions which were presided over by Mr C. C. Choksi, Mr R. C. Cooper and Mr S. A. L. Narayan Row, Chairman of the Central Board of Direct Taxes. The concluding session was presided over by Mr K. K. Birla, Chairman of the Direct Taxes Sub-Committee of the FICCI.

The technical session on "Concept of income for business purposes" succeeded in elaborating the methods of computation of business income for tax purposes as there is a wide gap between the business income computed under the Income-tax Act and the income actually earned by the assessees. The following broad recommendations were made at this session:

(1) The arbitrary rules limiting the deduction of certain kinds of expenditure should be withdrawn. (2) All expenditure properly incurred in the course of carrying on the business should be deductible either as current revenue expenditure or over a period of time as deferred revenue expenditure or by allowance of depreciation on the capitalised expenditure. (3) The provisions regarding carry-forward of unabsorbed depreciation or losses should be rationalised. The conference also listed a number of items which created a gap between business income for commercial accounting purposes and business income for tax purposes.

The technical session on "Incidence of tax and tax evasion" highlighted the fact that our tax rates have become punitive; the average effective rate of corporate taxation has gone up from 36 per cent in 1959-60 to 50 per cent in 1964-65. The maximum income-tax rate is now 89.4 per cent. The high rate of taxation has given rise to the undesirable social practices of tax evasion. The conference was of the view that it was only by lowering the incidence of taxation and simplification of tax laws that tax evasion could be really dealt with.

At the technical session on "Tax problem relating to foreign collaboration agreements," note was taken of the various tax incentives provided in the taxing statutes for the purpose, but it was felt that there were a number of impediments which needed to be removed to encourage foreign collaborations. The recommendations made were in relation to differentiation in the rate of tax on royalty or technical service fees on the basis of date of agreement allowing the Indian entrepreneur's contribution to the foreign party as his share towards scientific research expenditure as deductible expenditure, and giving of advance ruling in respect of the tax liability of a foreigner relating to payment under foreign collaboration agreement.

COTTON TEXTILE MACHINERY

Although the manufacture of cotton textiles is the oldest organised industry in this country, the production of textile machinery is comparatively of recent origin, because effective steps to establish its manufacture were taken only in the first Plan period. Since then, the production of textile machinery has no doubt registered a sharp rise—from about five crores of rupees in 1955, it had reached a level of about Rs 19 crores worth in 1965. Nevertheless, the dependence on imports is still substantial especially for some items of machinery. In 1965, it was Rs. 23 crores worth, which was more than the indigenous production in that year. The National Council of Applied Economic Research (NCAER) has recently estimated the future demand for machinery so as to provide effective guidelines for augmenting indigenous production and reducing dependence on imports.

In the aggregate estimate presented in the NCAER's study, there is a more important component of the demand for textile machinery, and that is, the demand for replacing or rehabilitating such items of machinery in the existing textile mills which would have completed their useful lives. Allowing for the downward revisions in the targets of the fourth five-year Plan, both in the demand for expansions and in the demand for replacement, the aggregate estimates for cotton textile machinery work out in monetary terms as shown below:

(Rs crores)

	Fourth Plan	Fifth Plan
(a) For expansion	148.00	200.00
(b) For replacement	84.22	102.59
Total:	232.22	302.59

The estimates of demand for textile machinery in the fourth Plan made by two other organisations, namely, the Indian Cotton Mills Federation and Textile Machinery Manufacturers' Association, were about Rs 231.30 crores and Rs 253.33 crores, respectively which are nearer the above revised estimates. The apparent consumption of textile machinery during the third Plan was Rs. 173.00 crores worth, in the light of which, a 33 per cent increase in the fourth Plan and a 75 per cent increase during the fifth Plan, as indicated above, appear very reasonable.

As regards availability of textile machinery from indigenous production, it is estimated that with the existing production facilities, the industry is capable of an aggregate production of Rs 180 to 190 crores worth during a complete plan period. This would mean that imports would have to be only of the order of Rs 40 to 50 crores worth during the fourth Plan. In terms of annual figures, the position would be somewhat as shown below:

		Rs crores worth
(a) Annual demand in fourth plan	...	45 to 57
(b) Availability from indigenous production	...	35 to 45
(c) Balance to be met by imports	...	10 to 12

In 1966, the indigenous production of textile machinery was about Rs 22 crores worth. So the industry has to plan to double its production to meet the demand in the fourth Plan. The potential for increased production already exists in the country, the present lower output mainly arising from under-utilisation of capacities. A greater challenge awaits the indigenous textile machinery industry. This is, the need to diversify and to produce the finishing and processing machinery which are largely imported at present.

To sum up, the extent of demand for textile machinery is dependent very much on the degree of rehabilitation that the industry is willing to undertake. If there is to be no rehabilitation, then the demand is reduced to one half, that is, only what is necessary for increased yarn and cloth production. But, from long-term considerations, the inadvisability of not replacing worn-out machinery is, of course, only too obvious.

CEMENT INDUSTRY'S OPERATIONS

At a seminar held last week in New Delhi, various technical problems facing the cement industry were discussed. Mr R. Venkataraman, Member Planning Commission, asked the industry to make efforts to export cement as it would be profitable for this country to take advantage of the existing growing demand for cement in the neighbouring countries. He was of the view that exports would enable, on the one hand, the fuller utilisation of capacity and on the other, help in earning valuable foreign exchange. He also urged the industry to go in for increased technological improvement in providing a diversified range of products so as to meet the specific consumer requirements. He suggested adoption of improved operational practices to enhance productivity and reduce the cost of production. In order to achieve the economies of scale, he recommended the setting up of larger-sized units. He opined that with raw material available at reasonable prices and with technological efficiency of a satisfactory order, there is no reason why our cement industry should not be able to achieve the levels of production costs which have been attained in other countries.

Mr G.D. Somani, President, Cement Manufacturers' Association, traced the history of growth of this industry and indicated that it had almost trebled its production during the first 15 years of planning and was now poised to repeat its performance of the 50 odd years of its existence within a short span of a quinquennium. The industry is expected to increase its production from nearly 10 million tonnes in 1965-66 to 20 million tonnes in 1970-71. The achievement of this target, according to him, was possible only because of the bold decision taken by the Government of India to decontrol cement with effect from January 1, 1966. The industry, according to Mr Somani, had already made substantial progress in this direction. Discussing the recent trends in the cost of raw materials, he said that the continuous steep rise in the manufacturing cost had entirely wiped out surplus available for expansion which had been included in the increased price fixed at the time of decontrol. He also made a reference to elimination of cement scarcity in the country and said that the industry was now faced with the problem of marginal surplus, creating the possibility for export of cement. Because of high cost of production, cement cannot be sold in foreign markets except at a loss. The industry has already concluded, according to Mr Somani, a small export deal and is at present negotiating a big deal of about 300,000 tonnes in the next year.

Dr R. R. Hattiangadi, President, Cement Research Institute of India, described the cement industry in this country as a very stable industry which was self-sufficient both in terms of process know-how and the ability to fabricate all the principle machinery and plant needed for any known process in the manufacture of cement. He expressed the hope that soon the steep upward trend in the production of cement will begin to manifest itself and the "take-off" stage would be reached. Discussing the size of an economic and viable unit for manufacturing cement, he said that in our country we had adopted, in consultation with the government, a 600 tonnes per day plant as a standard one, even though in other countries much bigger units are currently operating. One of the advantages of this size of the plant is that the member units of such a plant could be transported by road or rail in any part of the hinterland. The other major considerations for pegging down the size were standardisation and interchangeability of castings and saving in foreign exchange on the basis of buying certain components in bulk.

The seminar served a useful purpose as it brought together a large number of technicians engaged in cement manufacturing and gave them an opportunity to discuss freely some of the major problems facing the cement industry.

TAXATION OF ROAD TRANSPORT

The final report of the Road Transport Taxation Enquiry Committee was presented by its Chairman, Dr B. V. Keskar, to the union Minister for Transport and Shipping, Dr V. K. R. V. Rao, on November 29. The committee has recommended that parliamentary legislation should be enacted, laying down uniform principles of motor vehicles taxation throughout the country so as to be fair and impartial in comparison with taxation on other modes of transport. The committee has further suggested that the central and state governments should set up standing expert advisory bodies to review, from time to time, the working of road transport industry with special reference to taxation on it and formulate suitable proposals for consideration of the governments concerned.

The committee's finding is that the existing level of taxation, central and state, acts as disincentive to the growth of road transport. It has accordingly urged that some relief should be given, or at least no further changes should be made in the existing level of taxation, except after mature consideration and with reference to the opinion of the proposed export advisory body. The committee has also suggested that the number of taxes affecting motor vehicles should be reduced to the minimum and that it would be preferable for all of them to be collected by a single agency. It has added that the central and state governments should consider a concessional rate of tax for light commercial vehicles of up to one tonne pay-load and that tax should not be levied in the guise of fees, which are to be charged for specific services rendered. The committee has observed that, because of the nature of the road transport industry, it is desirable to allow it to earn a return on capital larger than that in other industries.

The committee has remarked that, if our country has to benefit from the contribution which road transport can make to economic and social development, then there is no escape from earmarking considerably more funds for development and maintenance of roads than is done at present. Among the other recommendations made by the committee are that goods booking agencies should be regulated and their business brought under control by a licensing system. The development rebate, which had been withdrawn, should be restored for the expansion of road transport. It should be included in the list of priority industries entitled to income-tax relief. The committee has also recommended that the government should take urgent measures to bring down the prices of commercial vehicles substantially and that it should be ensured that adequate supply of capital is available to private operators and state road transport undertakings for purchase of vehicles.

WEST GERMAN CREDIT TO I.C.I.C.I.

As part of the assistance from Federal Republic of Germany to India for 1967-68, the Kreditanstalt fur Wiederaufbau (KFW) has agreed to make available to the ICICI a further line of credit of DM 7.5 million (about Rs 1.41 crores). Including this, the ICICI has so far received from KFW total funds aggregating DM 72.5 million (about Rs 13.59 crores) in seven lines of credit. Of the six lines of credit aggregating DM 65 million (about Rs 12.19 crores) received so far, the ICICI has already sanctioned more than DM 50 million (about Rs 9.38 crores) for assistance to Indian companies in a large group of industries. Funds out of the KFW lines have been made available to both traditional industries and also to newly developing industries. The number of companies assisted so far out of the KFW lines is about 70 and these funds have been an important addition to the ICICI's finances.

INDO-CZECH TRADE AGREEMENT

A new trade agreement between India and Czechoslovakia was signed in the capital on November 28, 1967. It envisaged exchange of goods of the order of Rs 80 crores between the two countries in 1968. The trade agreement provided for the import by Czechoslovakia of a large variety of engineering goods such as M. S. pipes, pipe fittings, cutting tools, diamond tools, hand and small tools, auto ancillaries, locks and padlocks, railway wagons' ancillaries, wire ropes, industrial plants and machinery, switchgears, refrigerators, flash lights, etc. Some of the new items which Czechoslovakia will be buying from our country are linoleum, paints, varnishes, lacquers, sports goods, cigarettes, ilmanite and ferro manganese. During the discussions the leader of the Czechoslovak delegation said that the explaratory purchase delegation had also identified many other manufactured goods which had a good scope for export to their country. They would like the common consumer in Czechoslovakia to see these products. It was suggested that all these products should be displayed in a wholly Indian exhibition which might be arranged in Czechoslovakia in the spring of 1968. This suggestion was accepted and steps are now being taken for an exhibition during May-June 1968.

Regarding our country's imports from Czechoslovakia, a prominent feature is the provision for capital goods, spares and components for maintaining the production programme of the various projects set up in India with Czechoslovak assistance, such as Bharat Heavy Electricals' projects at Ranchi and Hyderabad. In addition, Czechoslovakia will supply to our country in increasing quantities essential raw materials for maintaining economic activity, such as alloy and tool steel, newsprint and chemicals.

The remarkable growth of trade and economic relations between our country and Czechoslovakia can be seen from the fact that volume of trade over the last 12 years has increased manifold. The exchange of goods which was of the order of Rs 3 crores in 1955 increased to Rs 50 crores in 1966, Rs 36 crores in the first six months of 1967 and is expected to rise to Rs 80 crores in 1968.

INDO-IRANIAN TRADE AGREEMENT

A trade delegation led by Mr B. D. Jayal, Joint Secretary, Ministry of Commerce, held talks in Iran with the Iranian trade delegation led by Dr R. S. Tehrani, Deputy Minister of Economy. The delegation was in Iran for about a week. As a result of the talks, the trade agreement between India and Iran has been extended for a period of three years from 1967. Detailed trade arrangements have also been agreed upon for a period of a year. These will be reviewed after six months. Our country will facilitate the import from Iran of dry fruits, dates, asafoetida, red oxide, etc. Iran will facilitate the import of tea, machinery and engineering goods, iron and steel products, railway material and equipment, chemicals, etc., from us.

SYMPOSIUM ON COPPER

The Indian Copper Information Centre, Calcutta, a branch of the International Copper Development Council (CIDEC), Geneva, is organising a symposium on copper and its alloys to be held in Bombay on January 8 and 9, 1968, and in Calcutta on January 15 and 16, 1968. The objective of this symposium is to co-ordinate and make available all technical information that would help indigenous consumer industry in its endeavour to utilise the very meagre availability of copper metal in the country in the best and most economic way. The team of experts which will be lead by the chairman, Mr D. P. C. Neave, and the Director, Mr M. J. Smith, of the CIDEC, will consist of (a) Dr T. W. Farthing of Wolverhampton Metal Co., who has also several years of research experience with the Imperial Metal Industries of UK; (b) Prof. W. O. Alexander, Head of the Department of Metallurgy at the University of Aston, Birmingham, who had also been associated for several years with Imperial Metal Industries with research on copper base alloys; (c) Dr B. Lunn of Nordiske Kabel og Traadfabricker, Copenhagen, who has been director of research and development in the metallurgical activities of Northern Cable and Wire Works; and (d) Mr H. J. Miller who, till recently connected with the Imperial Metal Industries, has also considerable experience in the manufacture of wires and cables with British Insulated Callender's Cables.

PORTS, SHIPPING AND SHIPBUILDING

The programme for the development of ports, shipping and shippbuilding industry will be discussed at a three-day meeting of national conference on ports, shipping and shipbuilding from December 16 to 18 in New Delhi. The representatives of port organisations, the shipping companies, both in the public and private sectors, as well as shipbuilding and ship repair industries will attend the conference which will be presided over by Dr V. K. R. V. Rao, Minister for Transport and Shipping. The various problems connected with ports, shipping and shipbuilding will be discussed in detail by three committees after the plenary session.

Correction

In the article "Wanted: Smelters for Non-Ferrous Metals" by Mr Manubhai Shah, which appeared in our issue of November 3, 1967, on page 813, col. 2, fifth line from the bottom, please read "900 tonnes" for "900,000 tonnes".

Company Affairs

TUBE INVESTMENT

MR A. RAMASWAMI MUDALIAR, Chairman, Tube Investment of India, stated at the annual general meeting held recently that expansion programme taken up by the company was necessary to achieve the economies of scale. He hoped that the expansion programme contemplated the production of 425,000 cycles in the first phase and 500,000 in the second phase and would be completed within the next two years. This, he added, would help to some extent in encountering cost increases experienced due to rise in prices of raw materials and increases in wages and salaries. Referring to the export market, he pointed out, that a level of sophistication was required by way of various shades and designs and a specific North American model had been received well in the United States. He added, however, that these cycles had to be sold at prices which were not adequate to meet the costs.

Mr Mudaliar pointed out that the sales of tubes during the year declined because of the economic recession in the engineering sector of the industry. Tube Investment of India manufactures tubing primarily for the requirements of automobile, cycles, electrical and heavy engineering industries which have suffered in terms of output due to the recent recession. The supply position of raw-materials for tube industry has improved. The chairman referred to the commissioning of the second cold roll mill early in 1967 which increased production of strip substantially. With the availability of extra capacity after the commissioning of this mill, the company was prepared to meet the demand for rims and bicycles adequately. T. I. Miller Ltd. a subsidiary of Tube Investment of India, has taken up the production of scooter lamps. The chairman pointed out that the production of cycle lamps by this subsidiary would have increased in number but for the shortage of rivets and magnets. The management, he added, was trying to locate additional sources for the supply of these products indegenously.

JYOTI SWITCHGEARS

The public issue of 12,500 shares of Jyoti Switchgears Ltd, having been over-subscribed, the directors have closed the subscription list from November 30. The list was opened on November 16 and was to be closed on December 2 or earlier at the discretion of the directors.

SHAMA PISTONS

A modern plant for the manufacture of pistons and rings was commissioned near Ghaziabad recently. The plant, set up by Shama Pistons and Rings Ltd, in collaboration with Karl Schmidt and Co. of West Germany would produce 300,000 pistons and several lakhs of rings a year, resulting in a saving of foreign exchange worth Rs 2 crores a year. Mr Peterson, managing-director of Karl Schmidt & Co., who inaugurated the factory, stated that the new unit would go a long way in the development of the auto industry. Mr C. C. Desai, Chairman, Shama Pistons & Rings Ltd, indicated that the factory would first cater to the home market where there was considerable demand for its products.

STANDARD BATTERIES

Standard Batteries Ltd has produced good results for the year ended June 30, 1967, with a higher gross profit of Rs 53.13 lakhs against Rs 29.34 lakhs for the previous year. The improved results follow an increase in sales from Rs 2.38 crores to Rs 3.24 crores. A feature of the company's operations was that despite recession it could employ almost its entire manufacturing capacity and bring down its costs Its order books are full and it plans to market this year certain new products. Steps are being taken to market electric and electronic equipment to be used with its batteries as well as new lighting system of flourescent tubes for railway carriages. Out of the year's profit, depreciation absorbs Rs 8 lakhs, taxation Rs 28 lakhs, development rebate reserve Rs 72,000 and managing-directors' remuneration Rs 1.20 lakhs. General reserve gets Rs 15.75 lakhs out of which the proposed dividend will absorb Rs 5.40 lakhs.

PREMIER AUTOMOBILES

The working of the Premier Automobiles Ltd, for the year ended June 30, 1967, has not been satisfactory. The company earned a profit of only Rs 49.39 lakhs, before providing for depreciation, development rebate and managing agents' remuneration as against Rs 1.92 crores in the previous year. No dividend has been recommended for the year under review. The directors, in their report to the shareholders released recently, state that the adverse results of the company have been due to the prevailing economic recession in the country. The automobile industry was the worst affected by the current recession in the economy. Due to various economic factors and the high operating cost, there was a sharp fall in the offtake of the company's commercial vehicles as well as a drop in the sales of spare parts. As against 6,694 commercial vehicles sold in the previous year, the company could sell only 3,849 vehicles during the year under review. The management, however, had made an all-out effort to retrieve the situation by increasing the production of Fiat cars from 5,739 in 1965-66 to 8,661 during the year. The directors have stated that the reduction in the cost of Fiat cars on account of increased volume of production has been greatly nullified by the continuous increase in the wage bill. Eventually, the lower sales of the vehicles and the loss on the sale of Fiat cars have substantially reduced the profits of the company.

GAMMON INDIA

Gammon India Ltd has recorded a profit for the year, before depreciation, taxes and development rebate reserve of Rs 52.37 lakhs against Rs 82.18 lakhs in the previous year. After providing Rs 39.49 lakhs for depreciation, Rs 8.00 lakhs for development rebate reserve, Rs 3.00 lakhs for taxes and taking into account Rs 1.80 lakhs balance brought forward from last year, there remains for disposal a balance of Rs 3.68 lakhs. As a result of the lower trading profit and heavy statutory appropriations leaving a low balance available, the directors do not propose to recommend any dividend payment for the year. Though the turnover was Rs 921 lakhs for the year, the company is feeling the impact of the current recession in the country. The company's subsidiary, Freyssinet Prestressed Concrete Co. Ltd, has had a satisfactory financial year, but the Gammon-Shah partnership has shown a loss of Rs 5.62 lakhs.

LONDON RUBBER

London Rubber Co. (India) Ltd, Madras, proposes to enter the capital market shortly with a public issue of Rs 23 lakhs in 4,600 equity shares of Rs 500 each at par. A sum of Rs 125 is payable on application and Rs 125 on allotment. The entire public issue has been underwritten. Incorporated in February, 1963, as a private limited company and converted into a public limited company in April 1965, the company has an authorised capital of Rs 1 crore in equity shares of Rs 500 each and issued and subscribed capital of Rs 71.95 lakhs. The present issue is for Rs 63.05 lakhs, of which shares worth Rs 32.15 lakhs will be allotted to London Rubber Co. Ltd, UK, at par for supply of machinery. Shares worth Rs 7.90 lakhs have been reserved for directors and their friends and the balance is being offered to the public. In 1965 the company commenced manufacture of rubber contraceptives with a non-automatic plant and was able to exceed the licensed capacity of 37.44 million pieces per annum. The capacity is being raised to 150 million pieces per annum and a letter of intent has been received for the additional capacity. Import licences for Rs 48.50 lakhs have also been secured. The old plant has been dismantled and the redevelopment of the old factory has been taken in hand. The new machinery has arrived and it is expected to commence production by about April 1968, with a capacity of 75 million pieces per annum. Additional machinery will be imported to raise the production to 150 million pieces per annum. At present the company is engaged in packing rubber contraceptives imported from London Rubber Industries Ltd, UK, for sale in India. The capital outlay for the first stage of the new plant is estimated at Rs 77.70 lakhs, which will be met by share capital of Rs 63.05 lakhs, loan from banks (Rs 10 lakhs) and plough back from earnings (Rs 4.65 lakhs).

RAJAGIRI RUBBER

Rajagiri Rubber and Produce Co. Ltd has earned a lower profit of Rs 9.16 lakhs for the year ended June 30, 1967, after providing Rs 71,742 for depreciation and Rs 1.01 lakhs as remuneration to the managing agents. The amount available for appropriation is Rs 9.25 lakhs inclusive of the sum brought in. Taxation gets Rs 4.35 lakhs. The directors have recommended a final dividend of seven per cent on equity shares, making a total of 10 per cent on the increased capital consequent on the issue of bonus shares in the ratio of one for one. The company paid 25 per cent on the old capital. The rubber crop harvested for the year was 758,000 lbs against 915,000 lbs in the previous year.

INDABRATOR LTD.

Indabrator Ltd, an associate company of New Standard Engineering Company Ltd, will enter the capital market on December 11 with a public issue of Rs 3.65 lakhs in equity shares of Rs 10 each. The entire public issue has been underwritten. The company has an authorised capital of Rs 50 lakhs and an issued and subscribed capital of Rs 10.94 lakhs (Rs 3.57 lakhs by Tilghman's Wheelabrator Ltd, UK, and Rs 3.57 lakhs by New Standard Engineering). The company commenced production in May 1965. Sales in 1965 were Rs 12.39 lakhs and in 1966 Rs 23.59 lakhs. It paid a maiden equity dividend of eight per cent in 1965 besides issuing bonus shares in the ratio of one for six shares held.

CALCUTTA CHEMICAL

According to the preliminary statement issued by the company, the Calcutta Chemical Co. Ltd has made a net profit of Rs 2.96 lakhs for the year ended June 30, 1967, after providing Rs 3.75 lakhs for taxation. After adding the balance brought forward from the previous year of Rs 3.15 lakhs, there is an available sum of Rs 6.10 lakhs. The directors have proposed to maintain the dividend on the ordinary shares at 18 per cent.

UNIT PRICE

The sale price of unit of the Unit Trust of India has been raised by five paise to Rs 10.30 with effect from November 30, 1967. The repurchase price remains unchanged at Rs 10.

CAPITAL AND BONUS ISSUES

Consent has been accorded to six companies to raise capital amounting to more than Rs 1.99 crores. Three of them are to issue bonus shares exceeding Rs 9 lakhs. The amount of bonus shares ranges between Rs 25,000 and Rs 8 lakhs. The consents are valid for 12 months.

Indore Exporting & Importing Co. Ltd, Calcutta, has been accorded consent to capitalise Rs 8 lakhs out of general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of eight bonus shares for every five shares held.

Ideal Printers Private Ltd, Bombay, has been granted consent for the capitalisation of general reserve to the extent of Rs 1 lakh and for the issue of bonus shares of Rs 500 each in the proportion of one for one held.

Industrial and Economic Consultants International Private Ltd, New Delhi, is given consent to capitalise Rs 25,000 out of general reserve and issue 250 bonus shares of Rs 100 each in the ratio of one for one held.

Surat Electricity Co. Ltd, Bombay, is permitted to issue Rs 1 crore for cash at par to the public through a prospectus. Of this, Rs 85 lakhs will be in 7.75 per cent debenture units of Rs 100 each, and the rest of Rs 15 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs 100 each. The proceeds will be utilised for reduction in deposit borrowings by the company and to finance a part of its expansion programme.

UP State Industrial Corporation Ltd, Kanpur, is allowed to issue Rs 50 lakhs in 50,000 equity shares of Rs 100 each for cash at par to be taken by the UP government. The proceeds will be utilised for the development of mining of limestone and dolomite in Mirzapur district of Uttar Pradesh.

Nonsuch Tea Estates Ltd, Coonoor, is permitted to create an equitable mortgage in respect of a loan of Rs 40 lakhs which will be used as working capital.

COMPANY MEETING

TUBE INVESTMENTS OF INDIA LIMITED

Address by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, at the Eighteenth Annual General Meeting, held on 30th November, 1967.

Gentlemen,

I have much pleasure in welcoming you to the 18th Annual General Meeting of Shareholders of Tube Investments of India Limited.

The Directors' Report, the Audited Balance Sheet and Profit and Loss Account for the year ended 31st July 1967, has been in your hands for some time and with your permission I shall take them as read.

During the year under report, there has been considerable improvement in production over that of the previous year. Information regarding each one of the individual units has already been furnished in the Directors' Report and I propose now to supplement what has already been given.

T I CYCLES OF INDIA

The production of bicycles during the year was the highest so far. Our export of cycles has also shown a rise.

The North American model cycle to which I referred last year has been a successful model and we have met the difficult stipulations of specifications to suit the North American market. I am glad to say that this model has been well received in the United Sates and we have exported a fair number of cycles of this model. I may, however add, that these cycles have to be sold at a price quite inadequate to meet the cost.

Our increased production of cycles during the year called for a larger supply of rims, tyres and tubes but these were not readily forthcoming. The Directors' Report refers to the expansion programme that is under contemplation for cycles. This expansion programme presents in an acute form the need for finding adequate quantities of rims, tyres and tubes. The Management has tried to secure an assured quantity of the increased rims which will meet the demands of the increased production of cycles. Negotiations are practically completed and it is hoped that this will enable the company to pursue its development programme which is so urgently needed. The expansion programme to which I have referred, contemplates in its first phase, the production of 4,25,000 cycles and in the second phase the ultimate production of 5,00,000 cycles. It is hoped that this programme will be completed within the next two years.

As already stated in the Directors' Report, such an expansion is felt necessary in order to achieve the economics of scale which will help to some extent in encountering constant cost increases that are being experienced due to the rise in price of raw materials and higher wages and salaries.

The demand for cycles particularly in the export market is assuming a sophisticated phase. The recipients require colour enamelling of various shades for these cycles. The laboratory in the cycle factory, has, under the able and enthusiastic management of the laboratory staff, developed various processes among which may be mentioned the enamel colouring in various shades, to which I have already referred.

In view of the contemplated expansion of the cycle factory, some changes in the organisation of the various departments within the factory have been undertaken.

THE WRIGHT SADDLES OF INDIA

The sales of saddles during the year registered a substantial increase over that of the previous year. This increase was brought about as a result of several factors, partly by a price adjustment made to meet competition, but mainly because of the excellent reception accorded to the new model introduced in the previous year and to which I made reference in my last annual speech.

TUBE PRODUCTS OF INDIA

The sale of tubes during the year was lower than that of the last year primarily because of the economic recession in the engineering sector of industry in the country. The recession in trading conditions for the products manufactured by your Company commenced from May 1967. The tubing that we manufacture is primarily for catering to the needs of the automobile, cycle, electrical and heavy engineering industries and in consequence the recession affected the sale of tubes. This adverse effect on the sales compared to the previous year was only slight as we had a sizeable backlog of orders to clear. However, production during the last quarter of the year under report suffered a setback due to lack of adequate orders.

The supply position of raw materials to Tube Products of India eased during the year compared to the difficulties that I spoke about at the last annual meeting. Even though the total sales of tubes was less than that of last year, demand for Cold Drawn Welded tubes, was satisfactory. At present due to the fall in demand of tube orders our Tube Mills continue to work far below full capacity.

COLD ROLL MILL

The commissioning of the second Cold Roll Mill early in 1967 increased production of strip substantially and the sales also registered a good increase over that of the previous year. With the availability of extra capacity as a result of the installation of the second Cold Roll Mill, we are now able to meet the demand of rim and bicycle manufacturers and a few other industries in the country to a greater extent than in the past.

T I METAL SECTIONS

In my speech last year I had expressed a hope that in the case of T I Metal Sections the demand for these products will increase. It is true that the sales were much higher than the previous year, but the comparison is of no great significance inasmuch as the T I Metal Sections was in production only for a short period in the previous year We are still not out of the woods and the unit operated at a loss. The Management is keenly conscious of the difficulties involved and is doing its best to meet the situation made more difficult by the recession. The sales trend during the current year appears to be better.

SUBSIDIARY COMPANIES

T I DIAMOND CHAIN LTD.

The working of this subsidiary company during the year was successful. The sales of both bicycle and industrial chains were higher than that of the previous year. Nevertheless, the plant is capable of a higher production and the Management made recently a price adjustment with the view to increase the sales and utilise the productive capacity more fully. The factory has also added 'BSS' No. 11 Duplex chain to its manufacturing range and after completion of satisfactory tests this has been released to the market.

T I MILLER LTD.

It has been a successful year for this subsidiary company also. In addition to cycle lamps, this unit produced scooter lamps. The production of scooter lamps has been taken up for the first time and our products have been well received. The production of cycle lamps would have been greater in number but for the shortage of rivets and magnets and the

Management is trying to locate additional sources of indigenous supply for these products.

CURRENT YEAR'S OPERATIONS

While dealing with production under individual units earlier, I referred to the effect of the lack of the adequate orders on our output. This adverse situation continues in the current year and we are experiencing what is termed a "recession". While we are still able to market our entire production of complete bicycles, the off-take of components and spares is poor and certain price adjustments are indicated. The sales of tube and cold rolled strips are lower than what was budgeted. Government and Financial Institutions have outlined measures calculated to revive trade and we can only hope that these efforts will yield results sooner than later.

I have regretfully to report a closure of the TI Cycles Factory for a period of approximately three weeks during October and November 1967. Unfortunately even while negotiations were going on with the recognised Union, due to factious fights between groups of workers within and without the factory, a closure was necessitated. To safeguard the Company's property and to ensure safety of employees, the Management was constrained though with great reluctance to suspend operations. As soon as reasonable assurances were forthcoming from the employees that normal production would be resumed and that they would conform to discipline, on the advice of the State Government the operations were re-commenced.

I may mention here that the happenings in our cycle factory are not an isolated case. There have been quite a few other similar cases of indiscipline and somewhat unusual violent behaviour on the part of the workers in Ambattur and elsewhere in Madras. I have no doubt that the State Government is seized of this matter and will take such steps as are necessary to ensure for a long time to come, peaceful labour relations in this State on which more than anything else depends the immigration of Capital for industrial ventures.

Your Directors have always pursued a policy of fair treatment of workers and staff which they shall continue in the future. We shall try no doubt to make up the shortfall in production in the cycle unit compared to the budget output to the extent possible though this presents a formidable task. Due to the ill-effects of recession our current year's operations will naturally be affected adversely to some extent.

FINANCE

The Directors' Report referred to issue of Debentures for raising rupee finance for the contemplated expansion. The arrangements with financial institutions to cover foreign exchange requirements for the expansion plans and the issue of Debentures referred to in the report have reached an advanced stage and we expect to be coming out with the Debenture issue sometime in the coming month.

ACKNOWLEDGMENTS

It now remains for me to do the most pleasant duty of thanking our Collaborators in the U.K., Tube Investments Limited of Birmingham and the other Companies in their Group. Their active and continued co-operation during the year and in the years past have encouraged us as nothing else.

I should also like to acknowledge the practical help and advice that the Diamond Chain Company, U.S.A., and H. Miller and Company Limited, U.K., have given us during the year.

We are grateful in a very large measure to the Government of India and to the State Government of Madras for the assistance extended to us and the interest they have taken in the Company's operation and expansion schemes.

I should also like to offer my thanks and those of the Members of the Board to the Officers and other employees in the Company's Works and Offices in Madras as also those stationed outside the State for the hard work they have put in during the year. I have no doubt that they will, recognising that their own interest is closely entwined with the prosperity of the Company, continue to give of their best in the years to come.

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

BOOKS BRIEFLY

The Problems of Federal Finance

Union-State Financial Relations: D. T. Lakdawala; Lalvani Publishing House, Bombay; 1967; Rs 12.50.

Reviewed by S. S. M. DESAI

THE QUESTION of union-state financial relationship has acquired great significance during the last decade in India and the questions which were not even thought of once have now become topics of fierce controversy. Hitherto, the Planning Commission, a non-statutory body, has been paying attention to these problems and solving them in an informal way. With non-Congress governments functioning in many of the states, the matter is bound to become more complicated and assume greater significance in years to come. Prudence demands that these fundamental issues should be solved on a sound basis and be regarded as matters above and beyond political opportunism. In this compact and brilliant essay Dr D. T. Lakdawala has tried to look at this problem as an objective academician and in the light of experience of foreign countries and of India, has tried to lay down a framework within which healthy financial relationship between the union and states could be developed.

The presence of two layers of government in a federation with fairly demarcated powers and functions complicates the financial relationship between the centre and federating units. But such an institutional arrangement is devised to meet the needs which call for union but not unity.

Worse than Disease

There must however be some correspondence between the expediture a layer is likely to be called upon to undertake and its tax powers. But the functions and tax powers are distributed on the basis of two independent criteria. It is this difficulty—possible absence of correspondence between functions and tax powers—that constitutes the additional financial problem in a federation and necessitates the creation and intelligent use of balancing devices. The author aptly remarks that there are some persons who get so desperate about these problems of financial adjustments that they demand the abolition of the federal set up and complete centralization of functions and tax powers. But in a vast country such as India such a remedy will be worse than the disease. "Federal finance is only financial counterpart of federalism, and therefore cannot avoid its limitations.... Federal finance cannot demand a dissolution of federalism to solve its problems." Hence the necessity of properly understanding the device of balancing powers and their deft handling.

In the first chapter on 'Problems of Federal Finance', the author analyses the problems of distribution of functions and tax powers, overlapping of tax powers and tax sharing and grants in a very succinct way. He has brought to bear his wide knowledge of public finance on his analysis of every one of these aspects. His analysis of grants (conditional and unconditional) is an excellent example of his deep scholarship. According to him experience of other federations reveals that conditional grants are suited only in limited fields where the centre is extremely keen that certain measures should be taken by the states for the success of central functioning and that because of their anti-equalitarian bias as well as their appearance with state assessment of their needs, they cannot be carried far. The author therefore rightly thinks that as a balancing factor and as an equalitarian device unconditional grants are much better, if there is a periodic review in pursuit of well-defined objectives. The old techniques of balancing devices used in other federations for limited purposes (such as provision of infrastructural assets, etc.) will have to be considerably modified in a federation such as India aiming at rapid economic development. This adjustment will have to be based on our experience in this field so far.

The Indian Federal Constitution has provided a number of balancing devices. While these ingenious devices have eased the situation to some extent, they have also brought forward difficulties associated with them. For example, in the case of income-tax, since some percentage of the total collection is to go to the states, "question regarding the basis as well as rates have given rise to acute dissatisfaction." Article 269 mentions seven items in which cases the union government can levy taxes but the entire proceeds are to be allotted to the states. Out of these seven, only two—estate duty on non-agricultural property and taxes on goods in the course of inter-state trade—have been levied by the centre. Since the financial position of most of the states is precarious, they are interested in seeing the centre impose all the taxes mentioned in Article 269. But the centre has not cared to do so until now.

Periodic Review

Since a chronic gap between the resources and expenditure potential of the states seems to be an inherent feature of all well-established federations, the Indian Constitution through the Finance Commission has made provision for a mechanism for their periodic review. But the working of the Finance Commissions has revealed two major gaps. The Finance Commission gives grants only in aid of revenue; grants-in-aid of capital expenditure or loans are held to be outside its purview. This is very significant as capital expenditure of states has been rising rapidly during recent years. Secondly, Article 282 of the Constitution which provides for grants for any public purpose by the union has been used for sizable planning grants outside the scope of the Finance Commission. But the exclusion of grants and loans on capital account as well as planning grants on revenue account from the scope of the Finance Commission has the unfortunate consequence that the Finance Commission controls only a small part of the transfers to the states. This means that the Finance Commission has to co-exist with the Planning Commission as the major partner. Unfortunately no satisfactory solution has been found for the potential conflict between these two august bodies. The reports of both the third and fourth Finance Commissions betray the signs of an unhappy compromise between the two The author therefore feels that the Finance Commission has not been able to fulfil its legitimate role in the present setup as its role vis-a-vis the Planning Commission has not been fruitfully defined.

It is obvious that the two bodies cannot have divided responsibilities. The author suggests that "it may be expedient for the Finance Commission to have a member of the Planning Commission on it so as to ensure close collaboration between the two."

The author's suggestion regarding union loans to the states is equally constructive. He is of the opinion that the whole question of the purpose of loan assistance, the mechanism through which they should be decided and distributed, the supervision of their use and the provision for repayment need to be put on a sound footing in place of the extremely chaotic conditions which rule in that field at present. He is of the opinion that the union loans to the states should be administered through the organization of a development bank, a suggestion worth implementation immediately.

The book is full of erudition, insight, and constructive criticism, qualities for which Dr Lakdawala is well-known. Students of public finance and administrators would benefit immensely by a careful perusal of this excellent book.

RECORDS AND STATISTICS

Amendment in Taxation Laws

WITH A view to improving the financial resources of the government, the President promulgated an ordinance known as the Taxation Laws (Amendment) Ordinance, 1967, (5 of 1967), on September 14, 1967. This ordinance made certain amendments to the Finance (No. 2) Act, 1967, the Income-tax Act, 1961, the Wealth-tax Act, 1957, and the Gift-tax Act, 1958. These amendments related to the following matters:—

(1) **Annuity deposits under the Income-tax Act on current incomes.**—The rates at which annuity deposits are required to be made under the Income-tax Act by resident non-corporate taxpayers during the present financial year in relation to their current incomes falling due for assessment in 1968-69 have been enhanced, all along the line, by 20 per cent of the rates prescribed in this behalf by the Finance (No. 2) Act, 1967. The Income-tax Act has been amended to make it obligatory on taxpayers having a total income over Rs 15,000 but not over Rs 25,000 to make annuity deposits to the extent of the difference between the rates as enhanced and the rates as originally specified in the Finance (No. 2) Act, 1967.

(2) **Restriction on deduction of entertainment expenditure in business and professions.**—The limits up to which business entertainment expenditure incurred by companies is allowable as a deduction in computing their taxable income under the Income-tax Act have been reduced and the reduced limits made applicable also to non-corporate taxpayers. These limits are to apply in respect of entertainment expenditure incurred in business and professions after September 30, 1967.

(3) **Increase in the rate of interest chargeable from, and payable to, taxpayers under the Income-tax Act, Wealth-tax Act and the Gift-tax Act.**—Simple interest at the rate of six per cent per annum was chargeable from taxpayers under the Income-tax Act for delay in filing of return, on tax dues in arrears and on shortfalls in payment of advance tax due. This has been enhanced to nine per cent per annum by the said ordinance. Likewise, the ordinance has increased from six per cent to nine per cent per annum the rate at which simple interest is payable by government to taxpayers on excess payments of advance tax, on delayed refunds, and, in a case where the assets of a person have been seized in the course of a search, on the moneys retained in excess of the tax liability of the person. The rate at which simple interest is chargeable from, and payable to, taxpayers under the Wealth-tax Act and the Gift-tax Act has similarly been enhanced from six per cent to nine per cent per annum. The increased rate of interest of nine per cent will be effective from October 1, 1967.

Reproduced below is the Taxation Laws (Amendment) Bill, 1967, which has been passed by Parliament; it sought to replace the ordinance mentioned above:—

Be it enacted by Parliament in the Eighteenth Year of the Republic of India as follows:—

1. (1) This Act may be called the Taxation Laws (Amendment) Act, 1967.

(2) It shall be deemed to have come into force on October 1, 1967, except that section 5 shall be deemed to have come into force on September 14, 1967.

2. In the Wealth-tax Act, 1957, in section 31 and 34A, for the words "six per cent", the words "nine per cent" shall be substituted.

3. In the Gift-tax Act, 1958, in sections 32 and 33A, for the words "six per cent" the words "nine per cent" shall be substituted.

4. In the Income-tax Act, 1961,—

(i) in section 37, after sub-section (2), the following sub-section shall be inserted, namely:—

(2A) Notwithstanding anything contained in sub-section (1) or sub-section (2), no allowance shall be made in respect of so much of the expenditure in the nature of entertainment expenditure incurred by any assessee during any previous year which expires after September 30, 1967, as is in excess of the aggregate amount computed as hereunder:—

(i) on the first Rs 10,00,000 of the profits and gains of the business or profession (computed before making any allowance under section 33 or section 33A or in respect of entertainment expenditure)	at the rate of ½ per cent or Rs 5,000, whichever is higher;
(ii) on the next Rs 40,00,000 of the profits and gains of the business or profession (computed in the manner aforesaid)	at the rate of ¼ per cent;
(iii) on the next Rs 1,20,00,000 of the profits and gains of the business or profession (computed in the manner aforesaid)	at the rate of ⅛ per cent;
(iv) on the balance of the profits and gains of the business or profession (computed in the manner aforesaid)	nil.

Provided that where the previous year of any assessee falls partly before and partly after September 30,1967, the allowance in repect of such expenditure incurred during the previous year shall not exceed—

(a) in the case of a company—

(i) in respect of such expenditure incurred before October 1, 1967, the sum which bears to the aggregate amount computed at the rate or rates specified in sub-section (2), the same proportion as the number of days comprised in the period commencing on the first day of such previous year and ending with September 30, 1967, bears to the total number of days in the previous year;

(ii) in respect of such expenditure incurred after September 30, 1967, the sum which bears to the aggregate amount computed at the rate or rates specified in this sub-section, the same proportion as the number of days comprised in the period commencing on October 1, 1967, and ending with the last days of the previous year bears to the total number of days in the previous year;

(b) in any other case—

(i) in respect of such expenditure incurred before October 1, 1967, the amount admissible under sub-section (1);

(ii) in respect of such expenditure incurred after September 30, 1967, the sum which bears to the aggregate amount computed at the rate or rates specified in this sub-section, the same proportion as the number of days comprised in the period commencing on October 1, 1967, and ending with the last day of the previous year bears to the total number of days in the previous year."

(ii) in section 132A, 139, 201, 213 to 217, 220, 243 and 244, for the words "six per cent", the words "nine per cent" shall be substituted;

(iii) in section 280X,—

(a) in sub-section (1), clause (b) of the proviso shall be omitted;

(b) for the 'Explanation' the following 'Explanation' shall be substituted, namely:—

"Explanation—(i) In this section, the expression "annuity deposit required to be made" shall mean the amount of annuity deposit calculated on the adjusted total income of the depositor at the rate or rates specified in the Finance Act of the relevant year, but where the amount so calculated exceeds the amount computed, in the manner specified in clause (ii) of this 'Explanation' (the amount so computed being hereinafter referred to as the specified amount), then, the annuity deposit required to be made shall mean the specified amount.

(ii) The specified amount referred to in clause (i) of this 'Explanation shall be—

(a) in a case where the total income (as computed without making any allowance under section 280O) exceeds fifteen thousand rupees but does not exceed twenty thousand rupees, an amount equal to one per cent of the adjusted total income of the depositor;

(b) in a case where the total income (computed in the manner aforesaid) exceeds twenty thousand rupees but does not exceed twenty-five thousand rupees, an amount equal to—

(1) the aggregate of the sum calculated at one per cent on so much of the adjusted total income as does not exceed twenty thousand rupees and the sum by which the total income (computed in the manner aforesaid) exceeds twenty thousand rupees, or

(2) one and a half per cent of the adjusted total income of the depositor,

whichever is less;

(c) in a case where the total income (computed in the manner aforesaid) exceeds twenty-five thousand rupees, an amount equal to the aggregate of the sum calculated at one and a half per cent. on so much of the adjusted total income as does not exceed twenty-five thousand rupees and the sum by which the total income (computed in the manner aforesaid) exceeds twenty-five thousand rupees".

5. In the Finance (No. 2) Act, 1967,—

(i) in section 3, for sub-section (1), the following sub-section shall be, and shall be deemed always to have been, substituted, namely:—

"(1) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit shall be made by every person to whom the provisions of the Chapter apply—

(a) for the assessment year commencing on April 1, 1967, at the rate or rates specified in Part I of the Second Schedule; and

(b) during the financial year commencing on April 1, 1967 (in relation to the adjusted total income of the previous year relevant to the assessment year commencing on April 1, 1968), at the rate or rates specified in Part II of the Second Schedule.";

(ii) for the Second Schedule, the following Schedule shall be, and shall be deemed always to have been, substituted, namely:—

THE SECOND SCHEDULE

(See section 3)

PART I

Rates of annuity deposit for the assessment year 1967-68

(i) In the case of any depositor whose total income does not exceed Rs 15,000	Nil.
(ii) in the case of any depositor whose total income exceeds Rs 15,000 but does not exceed Rs. 20,000	Five per cent of the adjusted total income

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(iii) In the case of a depositor whose total income exceeds Rs 20,000 but does not exceed Rs 40,000	7½ per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at five per cent on so much of the adjusted total income as does not exceed Rs. 20,000;

(b) one-half of the amount by which the total income exceeds Rs 20,000.

(iv) in the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs 70,000	10 per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at seven and a half per cent on so much of the adjusted total income as does not exceed Rs 40,000;

(b) one-half of the amount by which the total income exceeds Rs 40,000.

(v) In the case of a depositor whose total income exceeds Rs 70,000	12½ per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at 10 per cent on so much of the adjusted total income as does not exceed Rs. 70,000;

(b) one-half of the amount by which the total income exceeds Rs 70,000.

PART II

RATES OF ANNUITY DEPOSIT TO BE MADE DURING THE FINANCIAL YEAR 1967-68

(i) In the case of any depositor whose total income does not exceed Rs 15,000	Nil.
(ii) In the case of any depositor whose total income exceeds Rs 15,000 but does not exceed Rs 20,000	six per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs 15,000.

(iii) In the case of a depositor whose total income exceeds Rs 20,000 but does not exceed Rs 40,000	Nine per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at six per cent on so much of the adjusted total income as does not exceed Rs 20,000;

(b) one-half of the amount by which the total income exceeds Rs 20,000.

(iv) In the case of a depositor whose total income exceeds Rs 40,000 but does not exceed Rs 70,000	12 per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at nine per cent on so much of the adjusted total income as does not exceed Rs 40,000;

(b) one-half of the amount by which the total income exceeds Rs 40,000.

(v) In the case of a depositor whose total income exceeds Rs 70,000 — 15 per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums namely:—

(a) an amount calculated at 12 per cent on so much of the adjusted total income as does not exceed Rs. 70,000;

(b) one-half of the amount by which the total income exceeds Rs 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.'

6. (1) The Taxation Laws (Amendment) Ordinance, 1967, is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under any provision of the said ordinance shall be deemed to have been done or taken under the corresponding provision of this Act as if such provision was in force on the date on which such thing was done or action taken.

EXTRACTS FROM THE WEALTH-TAX ACT, 1967

(27 of 1957)

CHAPTER VII

Payment and recovery of wealth-tax

31. (1)

(2) If the amount specified in any notice of demand under section 30 is not paid within the period limited under sub-section (1), the assessee shall be liable to pay simple interest at six per cent per annum from the day commencing after the end of the period mentioned in sub-section (1):

Provided that where as a result of an order under section 23, or section 24, or section 25, or section 26, or section 27, or section 29, or section 35, the amount on which interest was payable under this section had been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.

CHAPTER VIIA

Refunds

34A. (1)

(3) Where a refund is due to the assessee in pursuance of an order referred to in sub-section (1) and the Wealth-tax Officer does not grant the refund within a period of six months from the date of such order, the central government shall pay to the assessee simple interest at six per cent per annum on the amount of refund due from the date immediately following the expiry of the period of six months aforesaid to the date on which the refund is granted.

EXTRACTS FROM THE GIFT-TAX ACT, 1958

(18 of 1958)

CHAPTER VII

Payment and recovery of Gift-tax

32. (1)

(2) If the amount specified in any notice of demand under section 31 is not paid within the period limited under sub-section (1), the assessee shall be liable to pay simple interest at six per cent per annum from the day commencing the end of the period mentioned in sub-section (1):

Provided that where as a result of an order under section 22, or section 23, or section 24, or section 25, or section 26, or section 28, or section 34, the amount on which interest was payable under this section had been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.

CHAPTER VIIA

Refunds

33A. (1)

(3) Where a refund is due to the assessee in pursuance of an order referred to in sub-section (1) and the Gift-tax Officer does not grant the refund within a period of six months from the date of such order, the central government shall pay to the assessee simple interest at six per cent per annum on the amount of refund due from the date immediately following the expiry of the period of six months aforesaid to the date on which the refund is granted.

EXTRACTS FROM THE INCOME-TAX ACT, 1961

(43 of 1961)

CHAPTER XIII

Income-tax Authorities

C.—Powers

132A. (1)

(4) (a) The central government shall pay simple interest at the rate of six per cent per annum on the amount by which the aggregate of money retained under section 132 and of the proceeds, if any, of the assets sold towards the discharge of the existing liability referred to in clause (iii) of sub-section (5) of that section exceeds the aggregate of the amounts required to meet the liabilities referred to in clause (i) of sub-section (1) of this section.

CHAPTER XIV

Procedure for assesment

139. (1) Every person, if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year exceeded the maximum amount which is not chargeable to income-tax, shall furnish a return of his income or the income of such other person during the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed—

(a) in the case of every person whose total income, or the total income of any other person in respect of which he is assessable under this Act, includes any income from business or profession, before the expiry of six months from the end of the previous year or where there is more than one previous year, from the end of the previous year which expired last before the commencement of the assessment year, or before June 30 of the assessment year, whichever is later;

(b) in the case of every other person, before June 30 of the assessment year:

Provided that, on an application made in the prescribed manner, the Income-tax Officer may, in his discretion, extend the date for furnishing the return—

(i) in the case of any person whose total income includes any income from business or profession the previous year in respect of which expired on or before December 31 of the year immediately preceding the assessment year, and in the case of any person referred to in clause (b), up to a period not extending beyond September 30 of the assessment year without charging any interest;

(ii) in the case of any person whose total income includes any income from business or profession the previous year in respect of which expired after December 31 of the year immediately preceding the assessment year, up to December 31 of the assessment year without charging any interest; and

(iii) up to any period falling beyond the dates mentioned in clauses (i) and (ii), in which case, interest at six per cent per annum shall be payable from October 1 or January 1, as the case may be, of the assessment year to the date of the furnishing of the return—

(a) in the case of a registered firm or an unregistered firm which has been assessed under clause (b) of section 183, on the amount of tax which would have been payable if the firm had been assessed as an unregistered firm; and

(b) in any other case, on the amount of tax payable on the total income, reduced by the advance tax, if any, paid or by any tax deducted at source, as the case may be.

CHAPTER XVII

Collection and recovery of tax

B.—Deduction at source

201. (1)

(1A) Without prejudice to the provisions of sub-section (1), if any such person, principal officer or company as is referred to in that sub-section does not deduct or after deducting fails to pay the tax as required by or under this Act, he or it shall be liable to pay simple interest at six per cent per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.

213. Where part of the income subject to advance tax consists of any income of the nature of commission which is receivable periodically and is not received or adjusted by the payer in the assessee's account before any of the quarterly instalments of advance tax become due, he may defer payment of advance tax on that part of his income to the date on which such income would be normally received or adjusted, and, if he does so, he shall communicate to the Income-tax Officer the date to which such payment is deferred:

Provided that, if the advance tax of which the payment is deferred is not paid within fifteen days of the date on which such income or part thereof is received or adjusted by the payer in the assessee's account, the advance tax shall be payable with six per cent simple interest per annum from the date of such receipt or adjustment to the date of payment of the advance tax.

214. (1) The central government shall pay simple interest at six per cent per annum on the amount by which the aggregate sum of any instalments of advance tax paid during any financial year in which they are payble under sections 207 to 213 exceeds the amount of the tax determined on regular assessment, from April 1 next following the said financial year to the date of the regular assessment for the assessment year immediately following the said financial year, and where any such instalment is paid after the expiry of the financial year during which it is payable by reason of the provisions of section 213, interest as aforesaid shall also be payable on that instalment from the date of its payment to the date of regular assessment.

215. (1) Where in any financial year an assessee has paid advance tax under section 212 on the basis of his own estimate, and the advance tax so paid is less than seventy-five per cent of the tax determined on the basis of the regular assessment (reduced by the amount of tax deductible in accordance with the provisions of section 192 to 194, section 194A and section 195) so far as such tax relates to income subject to advance tax and so far as it is not due to variations in the rates of tax made by the Finance Act enacted for the year for which the regular assessment is made, simple interest at the rate of six per cent per annum from April 1 next following the said financial year up to the date of the said regular assessment shall be payable by the assessee upon the amount by which the advance tax so paid falls short of the said 75 per cent.

216. Where, on making the regular assessment, the Income-tax Officer finds that any assessee has—

(a) under sub-section (1) or sub-section (2) or sub-section (3) of section 212 underestimated the advance tax payable by him and thereby reduced the amount payable in any of the first three instalments; or

(b) under section 213 wrongly deferred the payment of advance tax on a part of his income;

he may direct that the assessee shall pay simple interest at six per cent per annum—

(i) in the case referred to in clause (a), for the period during which the payment was deficient, on the difference between the amount paid in each such instalment and the amount which should have been paid, having regard to the aggregate advance tax actually paid during the year; and

(ii) in the case referred to in clause (b), for the period during which the payment of advance tax was so deferred.

Explanation.—For the purpose of this section, any instalment due before the expiry of six months from the commencement of the previous year in respect of which it is to be paid shall be deemed to have become due fifteen days after the expiry of the said six months.

217. (1) Where, on making the regular assessment, the Income-tax Officer finds that any such person as is referred to in sub-section (3) of section 212 has not sent the estimate referred to therein, simple interest at the rate of six per cent per annum from the first day of April next following the financial year in which the advance tax was payable in accordance with the said provisions up to the date of the regular assessment shall be payable by the assessee upon the amount equal to the

75 per cent referred to in sub-section (1) of section 215.

D.—Collection and recovery

220. (1)

(2) If the amount specified in any notice of demand under section 156 is not paid within the period limited under sub-section (1), the assessee shall be liable to pay simple interest at six per cent per annum from the day commencing after the end of the period mentioned in sub-section (1):

Provided that, where as a result of an order under section 154, or section 155 or section 250, or section 254, or section 260, or section 262, or section 264, the amount on which interest was payable under this section had been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.

CHAPTER XIX

Refunds

243. (1) If the Income-tax Officer does not grant the refund,

(a) in any case where the total income of the assessee does not consist solely of income from interest on securities or dividend, within three months from the date on which the total income is determined under this Act, and

(b) in any other case, within six months from the date on which the claim for refund is made under this Chapter, the central government shall pay the assessee simple interest at six per cent per annum on the amount directed to be refunded from the date immediately following the expiry of the period of three months or six months aforesaid, as the case may be, to the date of the order granting the refund.

Explanation.—If the delay in granting the refund within the period of six months aforesaid is attributable to the assessee, whether wholly or in part, the period of the delay attributable to him shall be excluded from the period for which interest is payable.

244. (1) Where a refund is due to the assessee in pursuance of an order referred to in section 240 and the Income-tax Officer does not grant the refund within a period of six months from the date of such order, the central government shall pay to the assessee simple interest at six per cent per annum on the amount of refund due from the date immediately following the expiry of the period of six months aforesaid to the date on which the refund is granted.

CHAPTER XXIIA

Annuity Deposits

280X. (1) Where in relation, to the assessment year commencing on April 1, 1967, or any subsequent assessment year, a depositor does not make any annuity deposit during the financial year immediately preceding such assessment year or such further period as may be allowed by the Income-tax Officer under the proviso to clause (ii) of sub-section (2) of section 280C, or the amount of annuity deposit made by him during the financial year or further period aforesaid falls short of the annuity deposit required to be made (which short-fall is hereafter, in this section, referred to as deficiency), he shall, in addition to the income-tax payable by him for that assessment year, be liable to a further amount of income-tax calculated in the manner specified in sub-section (2):

Provided that nothing contained in this section shall apply in a case where—

(a) such depositor is more than 60 years of age on the last day of the previous year relevant to the assessment year; or

(b) the total income of such depositor of the previous year relevant to the assessment year (the total income for this purpose being computed without making any allowance under section 280O) does not exceed twenty-five thousand rupees; or

(c) the annuity deposit required to be made does not exceed one hundred rupees; or

(d) the deficiency does not exceed an amount equal to 10 per cent of the annuity deposit required to be made or one hundred rupees, whichever is higher.

Explanation.—In this section, the expression "annuity deposit required to be made" shall mean—

(i) the amount of annuity deposit calculated on the adjusted total income of the depositor at the rate or rates specified in the Finance Act of the relevant year, or

(ii) the amount by which the total income of the depositor for the relevant assessment year (such total income being computed without making any allowance under section 280O) exceeds twenty-five thousand rupees, whichever is less.

EXTRACTS FROM THE FINANCE (NO. 2) ACT, 1967

(20 of 1967)

3. (1) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on April 1, 1967, and annuity deposit to be made during the financial year commencing on April 1, 1967, shall be made by every person to whom the provisions of that Chapter apply, at the rate or rates specified in the Second Schedule.

THE SECOND SCHEDULE

(See section 3)

Rates of annuity deposits

(i) In the case of any depositor whose total income does not exceed Rs 15,000	Nil.
(ii) In the case of any depositor whose total income exceeds Rs 15,000 but does not exceed Rs 20,000	Five per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs 15,000.

(iii) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs 40,000	7½ per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at five per cent on so much of the adjusted total income as does not exceed Rs 20,000;

(b) one-half of the amount by which the total income exceeds Rs 20,000.

(iv) In the case of a depositor whose total income exceeds Rs 40,000 but does not exceed Rs 70,000	10 per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at seven and a half per cent on so much of the adjusted total income as does not exceed Rs 40,000;

(b) one-half of the amount by which the total income exceeds Rs 40,000.

(v) In the case of a depositor whose total income exceeds Rs 70,000	12½ per cent of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at 10 per cent on so much of the adjusted total income as does not exceed Rs 70,000;

(b) one half of the amount by which the total income exceeds Rs 70,000.

Explanation.—In this Schedule, "total income" mean total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

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When Rome Burns...	1067
Threat to Our Exports of Textiles	1068
India's Competitors in Britain	1069
Wanted: Pragmatic Approach to Drug Policies	1071
An American Diary III: India in American Eyes—The Editor	1075
Trends in World Trade II —Manubhai Shah	1079
Task Before Dr P. C. Ghosh —A Correspondent	1083
When Are Strings Not Strings? —Paul Einzig	1084
THE MOVING FINGER WRITES	1085
TRADE WINDS	1089
National Income Estimates; Managing Agency System; Vizag Fertilizer Plant; Transmission Line Tower Industry; Nepal Rupee Devalued; Banking and Insurance Bills; Taxation Laws to be Simplified; Sugar Ex-Factory Prices; Saru Silver Jubilee.	
READERS' ROUNDTABLE	1090
PL 480 Inflation.	
COMPANY AFFAIRS	1093
Kesoram Industries; United Commercial Bank; Hind Cycles; K. C. P. Ltd; J. K. Chemicals; West Coast Paper; Barium Chemicals; Standard Batteries; Scindia Steam Navigation; Indabrator Ltd, Capital and Bonus Issues.	
COMPANY MEETING	1097
The Scindia Steam Navigation Co. Ltd.	
RECORDS AND STATISTICS	1098
Kennedy Round Tariff Reductions.	
COMPANY NOTICE	1104
Upper Ganges Sugar Mills Ltd.	
Siemens Centenary Supplement	i-viii
Indian Tea Association Supplement	I-VI

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When Rome Burns...

IT IS probably true that much of government activity in most countries is not always related to genuine national priorities. Take, for instance, Britain. There was, in the recent past, a good deal of legislating for social reform in the Mother of Parliaments. As a result, Britain may have become a pleasanter place to live in for some sections of its population. But the change made in the law relating to homosexuality or abortion, however meritorious in itself, has not helped to save the pound. It is possible that it would have been better for Britain generally and its present government in particular, had its Prime Minister opted for a slightly different order of priorities.

Mr Harold Wilson will probably claim that he has company, although it may not be very good company. Here, in our country too, the government has a strong preference for the less consequential. Mr Fakhruddin Ali Ahmed has informed a waiting world that the government has decided to abolish the managing agency system. This is about as much as he has done so far to justify his designation as Minister for Industrial Development. Mr Morarji Desai, who is now our economic Czar, is bedeviled by not one Rasputin but many. In an attempt to humour these mad monks, he is attempting quite a few crazy acts himself. The demand for bank nationalisation from some political groupings, whether within the Congress party or outside, gave the government a golden opportunity to strike out for a solvent and sensible economic policy for the nation by flatly turning down that demand. Unfortunately, the government has lacked the guts to adopt this simple and straight approach. Instead, it has opted for the tortuous tactics of warding off the nationalisation demand by talking of social control of banks.

This is obvious temporising, for this so-called social control, or such presentation of it as has been made to the public by government spokesmen, clearly means no more than practically unlimited interference by politicians and bureaucrats in the normal day-to-day functioning of the commercial banking system. The fact that the Deputy Prime Minister's plan of social control of banks has not met with any determined opposition from the banking industry does not mean that this industry has seen or accepted the validity of Mr Desai's proposals. All that it indicates is that the bankers are finding that the politics of the affair are too much for them. They too are temporising as the government is. Expediency, in other words, has become the *sine qua non* for the current conduct of our economy. We are not contending that bank management has been free of all malpractices. We do not have to make any such assertion in order to be able to defend the right of the banking system to function in its normal business ways without the ubiquitous meddling and monitoring which the government evidently seems determined to embark on. It is a plain as well as a very important fact that no institution is wholly pure or undefiled. The government is not; nor are the various political parties. It is, therefore, enough for our purpose here to state that we do not believe that the banking system as a whole has been false to its obligations. We do not believe either that, whatever the shortcomings of the banking system may be, they are such as need to be or can be put right by the government assuming extensive or extraordinary powers of regulation.

The crux of the matter is how large the economy's pool of resources is or how vast the flow of resources into it is. Not many days ago we heard the Deputy Chairman of the Planning Commission lecturing to the National Development Council on the low level of capital formation in our country and the need to step up savings. If he or anybody else in any way connected with the government believes that the bureaucratisation of the banking system would increase its effectiveness as a mobiliser of savings, all that we could say is that he would believe anything. He may even believe, as Mr Morarji Desai apparently does, that the so-called social control of banks will not in the event turn out to have been a slide into nationalisation. Having tried to buy off Cerberus now with the sop of social control, the government may not have to wait long to realise that appetite grows by what it feeds on; and once this farce of social control has been enacted, it will be politically easy for the government to make—just as it will be politically difficult for it to resist making—the final surrender and nationalise the banks. It may be that many of our leading bankers are fighting shy of facing the realities of the situation, but it cannot be long before a taste of social control convinces them that it is only a foretaste of nationalisation.

For, let there be no mistake about it. The government, whether it knows it or not—and we believe that some of its members not only do know it, but are rejoicing in the knowledge—, is now set on the course of betraying the economic interests of the nation for its own political convenience. Even after years of negativism and obstructionism on its part have brought the country to its present pass, it seems disinclined to mend its ways. In the circumstances, the people of our country have little reason to expect much of the government in the new year. The bells may ring out 1967, but will 1968 be any different?

Threat to Our Exports of Textiles

INFORMED EXPORTERS of our cotton textiles do not share the rather complacent view of the economic experts in the Government of India that the devaluation of the pound sterling will not affect exports of cotton textiles to the UK, unless the two major competitors in the UK market, *viz*. Hong Kong (devaluation 4.3 per cent) and Pakistan, also devalue their respective currencies by as much as the pound. *Prima facie,* that is assuming that there are no other competitors, which is not the case. Even in respect of these two countries *vis-a-vis* India, in relation to the UK market for textiles, there is an additional factor that matters. It is the import quotas assigned to each of these three countries. Evidently, the existence of the quota for imported textiles for its domestic use by the UK is regarded by the government experts as a good enough safeguard. But this overlooks the fact that the other measures taken by the government of the UK are deliberately designed to discourage imports. So long as this is the case, the tendency of importers will be not only to buy less but also to buy textiles from the cheapest source available which our country is certainly not today. In fact, in the present context, this may mean that India may even find it difficult to complete her quota, although so far, this year, she has fared better than last year. Moreover, devaluation of its currency by any country is always followed by some payments difficulties and claims settlements between exporting and importing countries, as our experience not long ago showed. Besides these, there are other deterrents to British importers of Indian textiles, such as the high interest rates following the stepping up of the British Bank rate to eight per cent and the creation of the preferred sectors.

Not only our exports of textiles but those of our raw cotton also stand to be hit adversely. It is a moot point whether British interests will care to go in for costly imports of cotton, especially when they are in a better position today to substitute synthetic fibres and can also get relatively more attractive terms from other sources, as, for instance, Pakistan, what with the abolition of its 10 per cent export duty on cotton. Pakistan perhaps preferred this immediately to counter the effect of the devaluation of the pound. But there is no guarantee that Pakistan will stop with it; if there is continued buyers' resistance in the UK, it may also devalue its currency, especially if we should adopt certain measures or offer some incentives to exporters of raw cotton in the meanwhile. So far as exports to other countries, especially Japan, are concerned, Japan has, as usual, scored over us. Anticipating devaluation almost to the day of the event, at it were, Japan covered nearly 25,000 bales of Bengal deshi during the three preceding days.

Although the number of countries which have devalued their currencies in the wake of the devaluation of the pound sterling is smaller this time than in 1949, the devaluation of their respective currencies by certain countries, such as Spain, Hong Kong, Ceylon and New Zealand, among others, has a direct bearing on our exports of cotton textiles, either because they are in the sterling area, or because they enjoy similar import quota rights as we do, or because they belong to the EFTA and have, therefore, no import duty to pay. Now, as per the fresh five-year agreement between India and the UK which has been effective from the licensing year 1960, a quota of 195 million square yards has been provided for our country in the first quota year (December, 1965 to November, 1966) rising by one per cent in every subsequent year until 1970. It is known that, during the licensing year 1966, this country's shipments fell short of the quota by about 40 million square yards, mainly due to the fact, it is said, that the British government announced the removal of its 10 per cent import surcharge from December 1, 1966; in anticipation of the withdrawal of surcharge, British importers naturally slowed down their offtake of textiles from our country. The devaluation of the pound and some other currencies has fortunately come towards the fag-end of the second quota year, but, even so, it has not gone without casting its shadow.

This country has to face the keen competition of not only the other two quota countries, namely, Hong Kong and Pakistan, but also the EFTA countries, particularly Portugal and Spain. The complete abolition of the EFTA duties with effect from January 1, 1967, for trade *inter se* has greatly helped these countries and, with Spain following suit in devaluing its currency, Spanish textiles particularly have further additional edge over the other suppliers of textiles to Britain, including India.

The devaluation of its currency by New Zealand among sterling area countries is a matter of special concern to our textile experts, as, in view of the absence of any tariffs here and also the general acceptance of our qualities, our country has been looking forward to explore the vast scope for developing its exports of textiles to this market. But even without devaluation, our exports to this somewhat promising market had suffered in 1966, the total exports at 7.76 million square metres comparing rather unfavourably with the performance of 1965 at 9.98 million square metres out of that market's overall requirement of around 65.0 million square metres. The 1967 total also may not fully reflect the effects of the devaluation, but the impact is bound to be telling in the current quota year (1967-68). An additional snag is the existence of an unfavourable trade balance with our country, and New Zealand has naturally been wanting to reduce this gap. No wonder it welcomed the devaluation of the pound and seized this opportunity to snatch the utmost benefit from it.

In the context of what has been stated so far, it is obvious that this is no time to feel complacent about our textile exports. True, the Textile Export Promotion Council has withdrawn the three per cent levy which exporters of our cotton textiles to the UK had to pay so far, but this by itself may not be adequate. Immediately, the authorities have to look into the case of that unfortunate category of exporters who have had no exchange covering, as these happen to be the worst sufferers. But it is an expert's job to analyse and assess this and it is to be hoped the government would lose no time in appointing an expert for the purpose or at least ask the Tariff Commission in the meanwhile to go into the question and recommend suitable amelioratory measures promptly. Again, some immediate measures, such as the institution of bonus vouchers or tax credit vouchers, or consolidated drawbacks, are called for. Concealed incentives such as these are to be preferred to cash subsidies. Certain long-term measures such as rationalisation and simplification of technique are also called for. India cannot long afford to ignore modernising her textile industry and rationalising the textile wage structure generally.

EASTERN ECONOMIST ANNUAL NUMBER 1968

This is the last weekly issue for this year. The next issue (dated December 29, 1967) will be the Eastern Economist Annual Number, 1968.

The Annual Number will analyse the present state of the economy in terms of the recession and the prospects of recovery. It will discuss the political and economic factors, both domestic and foreign, which have a bearing on the next stage of our planning and development.

A special feature of the Annual Number will be a section devoted to the progress and problems of some of our major industries. An effort has been made here to define the specific issues facing these industries in terms of national needs and capabilities.

The Annual Number will, as usual, be profusely illustrated with charts and graphs. It will include a useful compendium of statistics. Priced at Rs 10 per copy, the special issue will be available without extra charge to subscribers who are on our mailing list.

India's Competitors in Britain

IN THE context of the devaluation of the pound sterling, it will be worthwhile to analyse the recent trends in our exports to the United Kingdom in relation to the performance of our main competitors. One striking fact that emerges from the statistics is our small share in Britain's total imports, which in June 1967 was only 1.3 per cent. The total value of all British imports in this month was £551.65 million of which our share was £7.04 million. The total imports from some other important countries in June this year were: (in £ million) Australia 12.66; New Zealand 17.10; Canada 42.99; Denmark 19.26; West Germany 31.90; the USSR 12.92; Japan 8.00; the USA 66.95; France 22.62 and Italy 17.01. Among the developing countries, Pakistan's share was £2.63 million and Malaysia's £1.21 million. The table on page 1070 shows our share in Britain's imports in respect of certain goods in June 1967. It will be seen that our share is somewhat substantial only in a few items such as tobacco, leather and grey cotton fabrics and to some extent in tea, feeding stuff, and crude animal and vegetable materials.

It will, of course, be unrealistic to expect our share in Britain's imports to be as large as that of its European partners but there is no reason why it should remain less than two per cent. The Commerce Department of the Indian High Commission in London, in a report submitted to the Government of India last year, said: "While there has been some setback in the export of tea, cotton textiles, and vegetable oils, it would be misleading to conclude that there is any downward trend in Indian exports to the United Kingdom. What is often overlooked in comparing figures from year to year is that London has been the commodity market for most of the world and, to the extent that India exports direct to other countries, it is but natural that there will be a corresponding reduction in exports to the United Kingdom". There is, of course, some truth in this observation. Even so, it should not be difficult for this country to obtain an increased share in Britain's imports provided the government, the industry and the trade make energetic efforts.

Let us now consider our position *vis-a-vis* our competitors in regard to some major commodities. In tea, Ceylon and Kenya are the chief rivals. In the first three months of 1967, the total tea imports into the UK were 163.88 million lbs of which this country supplied 84.23 million lbs, Ceylon 40.31 million lbs and Kenya 7.93 million lbs. In the corresponding months of 1966, India, Ceylon and Kenya supplied 69.39 million lbs, 37.46 million lbs and 10.15 million lbs respectively, the total imports being 147.25 million lbs. In cotton textiles (grey, unbleached) this country was the largest supplier in the first quarter of 1967, accounting for 34.33 million square yards compared with 28.06 million square yards from Hong Kong and 18.53 million square yards from Pakistan. The total imports in this period were 135.88 million square yards, which was much lower than the import of 156.05 million square yards imported in the first quarter of 1966. It is significant that in the latter period, Pakistan's share was only 13.89 million square yards whereas our country and Hong Kong accounted for 48.26 million square yards and 52.79 million square yards respectively. Portugal also has recently emerged as a major supplier of cotton textiles to the UK. It was pointed out in the House of Commons some time ago that imports of cotton piecegoods from Portugal in January 1967 were equal to 30 per cent of cotton piecegoods imports from Portugal for the whole of 1966 and equal to 66 per cent of the total for the whole of 1966.

The UK's imports of jute fabrics declined from £2.83 million in the first quarter of 1966 to £1.92 million in the same period of 1967. Imports from this country declined from £2.14 million to £1.05 million and imports from Pakistan from £576,000 to £518,000. The total imports of jute sacks and bags also fell from £264,000 to £255,000. The imports from our country declined by 17.7 per cent but imports from Pakistan increased by 13.3 per cent in this period.

INDIA'S SHARE IN BRITAIN'S IMPORTS OF CERTAIN COMMODITIES

Value in £ '000
June 1967

Items	Total UK Imports	Imports from India	India's Share %
Fruits & vegetables	34,397	89	0.3
Coffee	1,650	25	1.4
Tea	4,249	421	9.9
Feeding stuff	5,444	357	6.6
Tobacco	7,698	2,696	35.0
Hides and skins	3,395	2	Neg.
Textile fibre and their waste	15,337	109	0.7
Crude mineral (incl. mica)	4,699	83	1.8
Metalliferous ores	16,926	179	1.1
Crude animal and vegetable materials n.e.s.	3,269	313	9.6
Chemical elements and compounds	11,337	—	—
Essential oils	1,401	39	2.8
Leather	2,213	685	31.0
Textile yarn and fabrics	14,103	1,295	9.2
of which Grey cotton fabrics	2,067	446	21.6
Non-electric machinery	47,991	21	Neg.
Total	551,654	7,040	1.3

In feeding stuff for animals, Britain's total imports in the first quarter of 1967 were 423,978 tons compared to 501,472 tons in the similar period of 1966. Our main competitors in this case are Canada, Burma, Nigeria, South West Africa and Argentina but our country is the largest supplier. Our share was 127,836 tons in the first quarter of 1967 compared to 26,735 tons from Canada, 26,861 tons from Burma, 32,823 tons from Nigeria, 22,149 tons from South West Africa and 149,264 tons from Argentina.

In leather and leather manufactures, imports from this country in the first three months of 1967 were valued at £1.93 million compared to £2.19 million in the same period of 1966. Another supplier was Ireland whose share went up from £778,000 in the first quarter of 1966 to £842,000 in the same period of 1967. Britain's total imports of leather and leather manufactures were valued at £6.50 million in the first quarter of 1967 against £7.51 million in the same months of 1966.

So far as tobacco and manufactures are concerned, Britain's total imports fell from £18.91 million in the first quarter of 1966 to £16.80 million in the same period of 1967. However, the import from our country increased from £143,000 to £175,000; from Canada from £5.36 million to £5.68 million; and the USA from £8.64 million to £9.25 million. There were no imports from Rhodesia because of the trade boycott.

In view of the keen competition that our goods face from various countries, the government should lose no time in modifying export policies so that our slender share in Britain's imports is not reduced further. In fact, the aim should be not merely to retain our present position but to improve upon it. This should not prove difficult provided the export duties are suitably adjusted, especially in the case of tea and jute goods. Incentives need to be enhanced where necessary as in the case of cotton textiles, and the industries should be given all facilities for increasing production. The jute industry, for instance, has asked for foreign exchange for the import of 100,000 bales of high quality jute for producing carpet backing cloth. This has an increasing demand not only in the USA but also in the United Kingdom. In 1965-66 our export of carpet backing to the UK was only 121 tonnes valued at 69,000 US dollars but in 1966-67 there was a sharp increase to 810 tonnes worth 554,000 US dollars. The jute industry should also be helped to expedite its programme of modernisation. The jute industry in Dundee spent £847,000 on modernisation in 1965 compared to £818,000 in 1964; and the total amount spent on modernisation in the post-war period is over £16 million. In this country, on the other hand, the jute industry is reportedly losing at the rate of about Rs 1.5 crores a month. The financial position of cotton textiles and tea industries is also far from satisfactory. The situation created by the devaluation of the pound should awaken the Commerce Ministry to the acute difficulties confronting our major export industries.

Wanted: Pragmatic Approach to Drug Policies

WHILE WE recognise the ability of Mr Asoka Mehta union Minister for Petroleum and Chemicals, to coin resonant and high-sounding phrases—the latest instance was when he told the third All-India Drugs and Pharmaceutical Manufacturers' Conference in Bombay that "there must be operational research in the presentation of difficulties itself" (whatever this means) — we fail to understand the brusque way in which he chose to dismiss the plea of the AIMO president for government help to the industry to undertake research. What Mr B. D. Somani said in his speech was that it was an impossible task for the indigenous units, with their steadily depleted financial structure and low profitability, to embark upon costly research projects (and research involved in screening for new drugs is admittedly very costly), and there was no suggestion anywhere in his speech that the industry was not engaged in continuous research work but Mr Asoka Mehta not only stated that it was vital for the industry to take to continuous research work; he went so far as to ask any manufacturer who did not do it to quit the industry as he was no good for this industry.

Drug manufacturers must thank their stars that he did not use the words *"could not do it"*. Semantics apart, it is strange that Mr Mehta, who himself said that the pharmaceutical industry was one of the very few industries in the world in which the technology was changing very rapidly and the industry had to keep abreast of it, could take exception to the industry's plea for special tax concessions for carrying out research. Evidently, he shares the popular view that the margin of profit in this industry is very large. This view would be sustained if the margin of profit in every item of drug and pharmaceutical production were equally high — there are many which do not yield any profit for years—or if every unit in the industry fared alike. It is obvious that all units do not yield the same level of profit and, if what was said by the spokesmen at the conference is to be believed, this inequality is, to some extent at least, the creation of the powers-that-be.

There was hardly any participant in the conference who did not complain about the Drugs Prices (Display and Control) Order as being out of date and a serious impediment to the progress of the indigenous units. There seems to be very strong resentment against the way in which prices were fixed under this order and the *raison d'etre* itself for this price control. Even the Development Council for Drugs and Pharmaceuticals is credited with the view that no price control order is necessary in the context of the present liberalised imports and licensing policy which make for adequate competition to prevent any rise in the price level of drugs. The government also is said to have realised that injustice has been done in the matter of fixation of drug prices. And yet the same state of affairs is allowed to continue merrily which only can be attributed to the uncanny supineness of the government.

What is difficult to appreciate, as Dr K. A. Hameid, chairman of the reception committee, said, is that, while the government has been preaching from every pulpit that it is desirable to bring down prices of medicines, it is itself adopting measures which are responsible for high prices. He cited the example of a certain raw material manufactured by the IDPL unit at Hyderabad which costs Rs 35 per kilo as against its imported cost of Rs 12. If indigenous manufacturers are obliged to buy this raw material, how can the price of their finished product be cheaper than now?

There is no end to official exhortation to export anything and everything, but when there is an industry which has proved its potentialities both to produce and to export — the output of indigenous drugs and pharmaceuticals has risen from Rs 10 crores in 1948 to Rs 175 crores today and their exports have jumped from a bare Rs 89 lakhs in 1958-59 to Rs 303 lakhs last year—and is also keen on exporting, no account is taken of the difficulties that the industry faces in the way of exporting its products. This industry particularly has doubled its exports to the hard currency area too, and one would have thought that the authorities would go all out to help such an industry. Nor are the suggestions made by it such as to be ignored altogether or turned down unceremoniously.

The industry is understandably keen on pushing its exports to reach the goal of balancing the imports with sufficient export income to meet its import bill, which is only to conform to the new fiat of the Commerce Minister. The suggestions are that, while taking decisions on export policy matters, the government should consult the industry, preferably through the Export Promotion Council, that the drawback procedure for duty be simplified to enable the industry to take advantage of this facility, that export assistance should be of a more permanent nature than now, say, by way of tax relief, and that the Export Promotion Council should be activised to ensure fulfilment of export guarantees given by parties to whom industrial licences are granted on this specific understanding. In all these, as in the overall plea made by Mr Somani, the central demand is for a pragmatic approach towards drug policies with a package plan for the growth of the industry, and it is surely not a demand that ought to invite a snub, although to snub may be an undefined ministerial privilege.

GROW MORE
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AN AMERICAN DIARY—III

India in American Eyes

THE EDITOR

IN DISCUSSING India with the Americans, one of my main purposes, naturally, was to identify and study significant new trends, if any, in the American view of India. Quite early in my travels in the United States I noticed that the American people were less disposed than they perhaps were in the past to indulge in carping criticism of the way we manage some of our national affairs. This is essentially a result of the Americans and ourselves now being fellow-sharers in misfortune. Time was when far too many Americans were only far too ready to sermonise us about our inability to deal constructively with the caste, communal, language or other barriers which divide our people. Now, thanks to the fierce division of opinion in the United States over the Vietnam war, the violent public demonstrations through which this division is being expressed, the negro riots in the cities and the wild and irresponsible talk these riots and their suppression have provoked from racial extremists of either complexion, there is a deeper understanding on the part of the American people of the problems of national unity which our country is also facing and the difficulties which any people must reckon with in achieving emotional integration and political solidarity against a background of historic conflicts and controversies.

With "Black Power" militants talking of a partition of the United States for the creation of a negro state and the white supremacists retaliating with threats of packing the negroes off to Africa, the American people are now in a better position to appreciate issues which plague us such as Muslim communalism or Hindu revivalism as well as take a more objective and realistic view of the Kashmir question. Even the "holy cow agitation" does not prompt so many sneers now; for, when hippies parade Washington streets, chanting "mantras" to make the Pentagon vanish into thin air, it is not easy for an American observer to turn up his nose at Hindu holy men marching naked down Parliament Street in New Delhi in defence of "the cow mother". Thus it was that when I, visiting Oakland on the day of a melee in the streets between draft-protesters and the police, remarked—rather sarcastically, I am afraid—that I felt quite at home, I was rewarded with wry smiles meaning that the point had been well made. I am therefore tempted to suggest that, largely as a result of their own experience of domestic distempers, the American people now have a clearer recognition and a larger sympathy for our own trials and tribulations in ensuring that the differences that make up India do not end up by unmaking her.

Growing Impatience

Along with this deeper understanding of India and its people, however, there is growing impatience in the United States with the continuing inability of our government to deal effectively with the basic economic problems of our country. I should point out here that this feeling does not have much to do with any American disenchantment with the postures adopted by our government in international affairs from time to time. There is no doubt deep resentment among the Jewish community in the United States as a result of the partisan attitude taken up by our government towards the rights and wrongs of the conflict in West Asia and this sentiment undoubtedly has considerable influence on the American view of our government and its motives. But, once this essentially sectional grievance is set aside, the broad American estimate of our government is not unduly coloured by any acute unfriendliness related to. American disapproval of our exercises in world power politics. Even our government's pronouncements on Vietnam are being seen in perspective; as one American of some academic distinction with whom I discussed this matter said, rather sadly, "There is nothing that Mrs Gandhi or her spokesmen have said which is not being shouted by the President's critics in his own country". Quite apart, then, from any irritation or annoyance many Americans may feel on account of our government's foreign policy attitudes, they are genuinely unhappy that the government of a country, for the economic development of which they are contributing in no small measure, is failing in its job of guiding and promoting this development on proper lines.

The disenchantment with the record so far of Mrs Gandhi's administration in this respect is considerable, if not complete. Like some in our own country, there were a number of Americans who believed that the devaluation of the rupee would work as a shock treatment and shake our planners and ministers out of their complacent handling of our urgent economic tasks. This expectation has now died out. It is seen that economic priorities still remain inadequately defined and insufficiently pursued, that the heavy hand of bureaucratic administration and regulation continues to press on the public and the private sector alike, that politics and political considerations have been allowed to play havoc with the institutions and impulses of economic expansion and that our government's response to the economic crisis in the country has been to retire into the drift of defeatism. I wish I could say that Mr Morarji Desai's visit to Washington and New York some time ago and his discussions with government and business leaders were effective in dispelling such impressions. But I cannot say so with a clear conscience.

Shakened Confidence

The fact is that the world is no longer prepared to take us on trust or judge us by the assertions we make about our virtues. It is now waiting for the action that speaks louder than words. Specifically, I found in the United States the greatest emphasis being placed on evidence of concrete performance on our part in such fields as food production, population control and the encouragement of private capital, domestic or foreign, in vital areas of industry. The Americans are relieved that we are hopeful of larger harvests, but they want to be reassured that this is not merely a case of our traditional gamble in the monsoons coming off this time. I naturally dwelt on the earnestness of our new agricultural strategy and the progress there had been in making our farmers fertilizer-minded or in propagating improved seeds. But our record of wasted opportunities and the chaos of current government policies are such that confidence is not easily created. Moreover, the obvious and persisting deficiencies in our farm credit structure and the dogmatic political attitudes which are delaying new fertilizer projects are not calculated to promote the view that our agriculture is beginning to take off.

Much the same is the situation with regard to family planning. I found that many Americans were duly impressed with the fact that ours is one of the few governments in the world which had made it their official policy to regulate the growth of population. The fact that our family planning programme is being organized on a national scale and is adopting what Dr Chandrasekhar has popularised as "the cafeteria approach" in deploying facilities and techniques has also made a profound impact. But, once again, most Americans would wait for clearer evidence that our government machinery is capable of coping with the gigantic task of breaking into the traditionalism and the fatalism of the vast communities of the village folk and the urban poor.

As for industry, the depressed condition of our export trade is being taken as an index of the lack of dynamism in our industrial effort. The obvious political inspiration and personal motives behind the current assault on so-called big business are not such as to improve matters. Prominent Americans in government, finance or business have learnt to appreciate the aggressive enterprise and expansionist outlook of the business leaders from this country with whom they have come into contact and are having dealings. They fail to understand how the very qualities they admire in these entrepreneurs are being branded as sins by politicians in a country which is allegedly dedicated to the task of building its industry and improving the living conditions of its people. It is becoming increasingly difficult for many Americans to reconcile our claim to be serious about the industrialization of our country with the vendetta which is being carried on against industrialists simply because they have been successful in contributing to our industrial expansion. These tendencies in our political life as well as the constant threat of bank nationalization or, in its stead, total government control of the functioning of commercial banks are certainly making it hard for most Americans to believe that the political climate in our country is or can be friendly to industrialization or economic growth.

What discourages American entrepreneurs who have business connections with our country most, however, is the unimaginative and unhelpful functioning of the machinery of our government. I believe that I could make this point best by reproducing here extracts from a letter which a business executive in our country recently received from his counterpart in

U.S. DIRECT FOREIGN INVESTMENTS, 1966
(In $ Million)

	Total	Earnings Ratio	Manufacturing	Earnings Ratio	Petroleum	Earnings Ratio	Increase in total investment since 1961	
							$	%
Canada ...	16,840	7.4	7,674	8.2	3,606	5.4	5,036	42.7
Latin America** ...	9,854	12.8	3,077	10.1	2,959	16.2	1,688	20.7
Argentina ...	1,031	12.4	652	12.1	*	...	396	62.4
Brazil ...	1,246	9.8	846	9.6	69	24.6	246	24.6
Chile ...	844	14.6	51	13.7	*	...	119	16.4
Colombia ...	576	6.2	194	8.2	277	6.8	151	35.5
Mexico ...	1,244	8.8	797	8.9	42	2.4	422	51.3
Panama ...	793	10.7	28	21.4	154	9.1	325	69.4
Peru ...	518	26.4	93	10.8	29	34.5	81	18.5
Venezuela ...	2,678	17.0	293	10.6	1,922	20.0	—339	—11.2
Central America (1) ...	682	7.6	80	8.8	162	3.7	*	...
Other Western Hemisphere	1,619	11.4	235	11.1	579	5.5	677	71.9
Europe** ...	16,200	7.1	8,879	9.6	3,977	Loss	8,545	111.6
Belgium-Luxembourg	745	7.0	459	8.1	43	Loss	489	191.0
Denmark ...	226	2.2	39	12.8	151	Loss	131	137.9
France ...	1,758	5.0	1,194	6.8	288	4.2	918	109.3
Germany ...	3,077	6.8	1,848	11.7	906	Loss	1,907	163.0
Italy ...	1,148	3.4	535	7.8	474	Loss	681	145.8
Netherlands ...	858	5.6	373	9.9	267	Loss	550	178.6
Norway ...	167	Loss	46	4.3	81	Loss	75	81.5
Spain ...	407	7.6	192	7.3	109	1.8	339	498.5
Sweden ...	369	4.3	90	5.6	198	Loss	229	163.6
Switzerland ...	1,210	13.8	211	12.8	42	Loss	802	196.6
United Kingdom ...	5,652	7.6	3,714	9.7	1,167	Loss	2,129	60.4
Africa** ...	2,078	20.0	331	13.0	1,108	23.4	1,008	94.2
Liberia ...	208	10.1	*	...	*	...	*	...
Libya ...	389	69.4	*	...	*	...	*	...
South Africa ...	601	20.6	271	14.8	140	*	297	97.7
Asia** ...	3,891	28.9	794	13.7	2,467	37.7	1,409	56.8
Middle East ...	1,671	52.4	51	11.8	1,560	55.3	431	34.8
Far East ...	2,219	11.2	743	13.9	907	7.5	978	78.8
India ...	**237**	**1.3**	**118**	**6.8**	*	...	**48**	**25.4**
Japan ...	756	12.0	333	16.8	*	...	446	143.9
Philippines ...	577	9.2	180	10.6	*	...	138	31.4
Oceania** ...	2,064	8.0	1,060	11.4	521	0.4	963	87.5
Australia ...	1,918	7.4	999	10.7	*	...	967	101.7
Non-national ...	2,016	6.7	*	...	1,047	3.8	553	37.8
Worldwide Total ...	54,562	10.4	22,050	9.5	16,264	11.4	19,878	57.3

(1) Includes West Indies: excludes Panama.
* Amount either negligible or not available for category.
** Country sum does not equal area total because some small countries are included in area totals.

the United States. After, referring to a statement which appeared in the American publication, "Business International"—an extract from this statement is reproduced here—, the latter writes:

"This tabulation gives rather dreary information about the trend of US investment in India. It shows that, since 1965, India is one of only three of the countries listed, and only Asian one, with an actual decline in investment. Libya, with a more severe decline, is the only country in worse shape from this point of view. Perhaps more significant is the whole trend since 1961. India does show a gain of 25 per cent in US investment during this period, but it is the lowest of any Asian country by quite a bit; far lower than Australia, Europe, or even Africa. Half of the Latin American countries do show gains less than India's but, of course, this is the part of the world which has been notorious throughout this century for unstable governments and currencies.

What Is the Cause?

"Doesn't it seem strange that a country with the mineral wealth and labour market that India has, should be shown in such a position? And what could be the cause? The institutions and customs of the Indian community are familiar enough, based as they are on English precedents more or less shared with the US; problems with the rupee have not been too severe, there having been just one devaluation and nothing like a runaway inflation; India is well-known for alert and resourceful businessmen.........; Government has been stable enough in terms of tenure at least. As for repatriation of funds, India is actually well-known and admired for, to date, having scrupulously honoured its commitments and sanctions.

"What then? As an 'India hand' I feel entitled to an observation for what it is worth. I think the deterrent is the ponderousness, disinterest, and negativism of the Indian bureaucracy......I have no idea what the cure for this is, but I do say that American businessmen typically like to keep things moving and to know where they stand. No matter what the potential profit may be in Indian investment situations, coupled with a very significant opportunity to do something worthwhile and constructive in a larger sense, there comes a point when investors are likely to just say — 'Life's too short'."

It is obvious that this country cannot afford to let this kind of frustration grow among foreign investors and entrepreneurs. While the prospects of development aid from foreign governments are becoming less and less bright, our need for essential imports of know-how or equipment is not declining correspondingly. On the contrary, it is going up, as indeed it must if our economy is to develop sufficient momentum for fulfilling its long-term goals. It is true that an increase in exports can help to narrow this gap between our requirements of foreign exchange and the availability of foreign aid, but it has been our experience that exports are not improving as they should. And here again, the basic issues are of larger production and greater productivity which, in their turn, might need to be dealt with through expanding and modernising our industries—to some extent with foreign collaboration. It follows that India has to court foreign capital and know-how more actively and more positively than she has done so far. In the United States, today, there is abundant goodwill for our people, sympathy with our problems and there is, at all levels of American society a steady willingness to provide food for hungry people whenever Nature fails us. But at the same time, the American people are not willing to contribute towards bailing us out of our difficulties when those difficulties are largely of our government's making. Especially in the American business community, which accounts for so much in the American power structure, there is a constant weighing of the disadvantages in trying to function in our country with the advantages of doing business there. And quite often important business decisions are being influenced against investments in our country because of the oppressive feeling that there is no expecting our government to reform its unbusinesslike ways.

(Concluded)

Trends in World Trade—II

MANUBHAI SHAH

THE EXPORTS of the developing countries have not been rising as fast as those of the developed and centrally planned economies. The explanation lies in the composition of exports of the respective groups of countries. The former export mostly primary commodities. In fact, 90 per cent of the exports of the developing countries consist of primary products. This heavy dependence of the developing countries on the export of primary commodities imposes serious limitations on the expansion of their export trade.

Stagnant Exports

The demand for primary commodities in the world has not been rising fast. This has led to a kind of stagnation in the exports of primary commodities during the last decade and a half. The share of the developing countries in total world trade has sharply fallen from 34 per cent in 1950 to 20 per cent in 1965. The developing countries have lost heavily in the markets of the developed countries in particular in the period under reference. Their percentage share of the developed countries' markets declined from 22 per cent in 1950 to 14 per cent in 1965. Within the markets of the developing countries themselves their share has fallen from 8 per cent in 1950 to 4 per cent in 1965. Their percentage share of the trade of the centrally planned economies has, however, remained stationary at one per cent. The bulk of the loss of trade in the markets of the developed countries and in their own markets is explained by the stagnation in the world trade of primary commodities. The developing countries lean heavily on 8 to 10 primary commodities and if the share of these commodities in world trade declines, the entire export trade of the developing countries becomes stagnant.

The demand for primary products is growing at a painfully slow rate for the following reasons:

a) As the per capita incomes in advanced countries continue to register increase, there is a shift in consumption habits. An increase in personal incomes in invariably accompanied by a fall in demand for foodstuffs and raw materials. And there is a proportionate increase in the demand for industrial goods and services.

b) Technological developments during the last 20 years have led to an economy in the use of raw materials. In other words, with an advance in technological skills, there tends to be a smaller need of raw materials to obtain a unit of finished product. Less manganese ore, for example, is now required for steel making on account of technological progress in the processes of manufacture.

c) There is an increasing threat to primary products from synthetics and cheaper substitutes. Plastics, for example, are beginning to replace many metals thus reducing the expansion in the demand of mineral ores. Synthetic rubber is replacing natural rubber. The share of synthetic fibres in the world production of industrial fibres increased from 11.7 per cent in 1950 to 22 per cent in 1964. Similarly the share of synthetic rubber in the world production of rubber had increased from 25 per cent in 1950 to more than 50 per cent now.

The tendency towards agricultural self-sufficiency along with protective policies pursued by the developed countries have reduced the share of the developing countries in the trade of primary commodities. The share of domestic production of various primaries in the advanced countries has gone up.

Whereas in 1955, 81 per cent of the total demand for oils and fats emanating from the developed countries was met from amongst the developed countries themselves, they supplied in 1963-64 as much as 88 per cent of their total demand for oils and fats. Similarly, 83 per cent of the developed countries' demand for cotton was met through domestic crops in 1965 as against 73 per cent in 1961. Application of research along with the governmental price support policies brought about a sharp rise in agricultural production in the advanced countries. According to the International Federation of Cotton and Allied Textile Industries (IFCATI), the cotton yields per acre have gone up from 268 lbs in 1950 to 500 lbs in 1966. Again, it now takes less than 40 man-hours to produce a bale of cotton as against 130 man-hours in 1950. No wonder, the industrialized countries have considerably enlarged their share in the field of world trade for primary products. The share of developing countries in the world primary trade, specially if petroleum is excluded, has gone down sharply. Moreover, the large rise in the production of certain agricultural products in advanced countries can lead to dumping of such surpluses in developing countries, much to their great detriment.

The tendency of primary commodity prices to deteriorate in relation to manufactures has been in evidence for the last many years. This is because of a fall in the unit value of exports of the developing areas and increase in the unit value of the exports of the developed areas. While the export price index of primary commodities exported by developing areas (base: 1958=100) declined from 104 in 1955 to 93 in 1965, that of the developed areas increased from 105 to 108 over the same period. Between 1950 and 1961 the terms of trade of raw materials and primary products which are the main exports of the developing countries fell by 26 per cent in relation to those of the manufactured goods imported by the developing countries from the developed countries. The price of primary products and raw materials are continuously going down and those of the complex manufactured goods continue to rise, thus doubly hurting the economies of the developing countries.

The volume and prices of primary commodities are subject to violent fluctuations due to their dependence on the vagaries of the weather. This has an adverse effect on the implementation of the development plans of the developing countries whenever there is a shortfall in their export earnings. Fluctuations in the prices of the primaries have continued to lend instability to the foreign exchange earnings of developing countries throughout the 'sixties. The prices of primaries for example, increased by 22 per cent during 1962-63. In 1963-64, on the other hand, the prices of primaries registered a decline of 13 per cent. Again, cocoa prices declined by 50 per cent in the first half of 1965 and started rising thereafter. The international prices of sugar also have experienced sharp fluctuations in recent years.

Reasons for Stagnation

The rising tempo of industrialization and the rapid rise in population have turned developing countries into net importers of agricultural products. The rise in population and the demands of industrialization explain the large imports of foodgrains into India which runs into several million tonnes year after year. All these factors together explain the stagnation in the world trade of primary products. It is hardly surprising that the developing countries' share of world primary exports has declined from 44 per cent in 1955 to 40 per cent in 1965.

Due to the extremely sluggish expansion in the exports of developing countries, their share in world exports has declined. This has happened at a time when the need to expand their exports is the greatest. Unless there is radical reorientation in the trade policies of the developed countries to enable and ensure expanding markets to the developing countries, the future of world trade is indeed dark and gloomy.

(To be continued)

Task Before Dr P. C. Ghosh

A Correspondent

MR AJOY MUKHERJEE, former Chief Minister of West Bengal, seems to have evoked some sympathy both in his state and outside for the manner in which his cabinet was dissolved by the governor. The constitutional propriety of the governor's action will perhaps continue to be debated for long but it should not obscure the fact that the record of Mr Mukherjee's cabinet was not only undistinguished for any constructive work but was also positively harmful to the state and the nation. Few of those who have closely followed the activities of this ministry will shed tears over its exit. In fact, the strongest criticism of this ministry has come not from the opposition but from Mr Mukherjee himself. For instance, in a statement on October 16, he said: "West Bengal once stood first in industry, then became second, and no one knows to which place it will go down if this destructive policy is pursued". Mr Mukherjee was referring to the policies of some of his cabinet colleagues who deliberately encouraged indiscipline, particularly in industrial relations.

Mr Mukherjee's cabinet assumed office in March last with a great deal of goodwill from all sides. Although the cabinet lacked homogeneity, it was thought that it would still be able to provide West Bengal with a clean administration and tackle the economic problems with reasonable speed and success. The ministry, of course, was faced with grave difficulties arising from the recession and, perhaps, the central government also was not as helpful as it should have been. In such a situation, one would have expected the ministry to function like a well-knit team so as to tackle the problems with discipline and determination but the ministry conducted itself in the most irresponsible manner. Ministers criticised one another openly, which had its inevitable impact on administrative efficiency. The chief minister looked on helplessly. In fact, apart from presiding over the cabinet meetings, it is doubtful if Mr Ajoy Mukherjee ever enjoyed and exercised any of the important functions of a chief minister. It was not surprising therefore that in October Mr Mukherjee himself manoeuvred to break up the ministry and the United Front and seek a coalition with the Congress.

Orgy of Violence

The Mukherjee ministry's failure to tackle the problems of food, prices and employment can perhaps be excused in view of the shortness of time at its disposal and the difficult situation created by the scarcity of foodgrains in the country as a whole and the recessionary trends. But what is one to say of the orgy of violence let loose by the constituents of the United Front and connived at by the ministry? Provision of additional employment was one of the main items of the United Front's programme. But, instead of creating more jobs, it followed a policy which deprived thousands of workers of their livelihood. The many gheraos staged between March and September this year led to the closure of many factories, flight of some capital and technical personnel, diversion of orders to other states, and tarnished the image of West Bengal.

But the most serious indictment that can be passed on the previous ministry is that it failed in its elementary duty of maintaining the rule of law. It was only after the Calcutta High Court strongly condemned gheraos and declared them illegal, towards the end of September, that some kind of peace was restored to industrial life in West Bengal. The court declared that police inaction on complaints of violence was "reprehensible", and it added: "When complaints of the commission of a criminal case are made, it is not open to the police to act or not to act according to their will and arbitrarily. It would be the end of all constitutional government if the police were called upon to consider the political affiliation of either the complainant or the accused in a criminal case".

The foremost task of Dr P. C. Ghosh's ministry therefore is to restore the respect for the rule of law. This is not going to be easy because of the threat of the United Front, especially the CPI(M), to create and intensify unrest in the urban and rural areas. The ministry however should act firmly in enforcing the law since, without it, it cannot tackle the state's economic problems. If the Ghosh ministry succeeds in increasing the rice ration substantially, it will greatly strengthen its hands in evoking the people's loyalty. Already, the rice ration per head has been raised from 400 to 500 grams from November 27; and the chief minister has said that he hopes to increase it further by another 250 grams to 750 grams from December 15. He thinks that from January, the ration can be raised to 2,250 grams — 1,250 grams of rice and 1,000 grams of wheat. This should not be difficult because of the good crops in West Bengal, (estimated at 5.7 million tons in 1967-68) and in other states, and the centre should also readily agree to West Bengal's request for allotment of 6,00,000 tons for the next year. The new West Bengal cabinet has yet to announce its food policy. Whatever it may be, the question is whether the opposition parties will agree to keep food above politics.

Widespread Indiscipline

In the field of industry, the Ghosh ministry's main task should be to see that the closed factories are opened and that the legal machinery for settling industrial disputes functions effectively. A fortnight before the dismissal of the Mukherjee ministry, a meeting was held at the Writers' Building between the chief minister and the employers to consider industrial relations. The employers said that the organised indiscipline of the workers had created a crisis of confidence among the managerial and technical staff who were finding it difficult to function. Indiscipline, it was pointed out, had spread also to hospitals, universities and governmental offices. Inter - and intra-union rivalry seriously disturbed peace in industry. Even companies with a good reputation for the most cordial labour-management relations had been victims of gheraos. The employers said that after the Pujas, that is since October, gheraos had become fewer. But go-slow and work-to-rule were being resorted to on a large scale, which made it difficult for the companies concerned to fulfil orders in time. In the circumstances, new investment, so essential for creating additional jobs, was getting scared. The employers felt that the existing machinery for industrial relations, set up under the Industrial Disputes Act, was sufficient to deal with labour disputes. But they suggested that it would be helpful if the government appointed additional conciliation officers and judges for labour tribunals and also encouraged bipartite negotiations for settlement of industrial disputes. At the meeting it was decided to set up a cabinet sub-committee with five or six ministers to go into the causes of closures, retrenchment and lay-offs. The Ghosh ministry therefore should take up immediately with the representatives of employers the questions relating to industrial relations and assure them of all facilities for the smooth working of industries and the prompt and peaceful settlement of disputes.

But peace and production will depend not only on what the Ghosh ministry does but on the attitude of the opposition. Even if some of the constituents of the United Front may be willing to stick to parliamentary techniques, it is clear that the communists will not. In fact, Mr Ajoy Mukherjee himself openly said in October that some of his cabinet colleagues were intriguing against this country in collusion with China. Mr Rajagopalachari's suggestion to ban the communist party, left as well as right, seems sensible but not practicable in view of New Delhi's reluctance to do anything that may displease Moscow. In the circumstances, those who genuinely believe in democracy should isolate the communists and expose them. Mr Ajoy Mukherjee himself should give a lead in this matter. His honeymoon with the communists must have convinced him of their true intentions. So, if he really loves the people of West Bengal, the least he should do is to dissociate himself from these apostles of anarchy.

The central government too has a responsibility to strengthen the hands of Dr Ghosh. This it should do by promptly despatching the state's requirements of food, by placing substantial and continuous orders on engineering industries, by putting the jute industry on a sound basis, by expediting improvement of the Calcutta port, and by providing special funds for the development of Greater Calcutta. The people of West Bengal have suffered immense hardship since 1947 and it will be a great tragedy indeed if, despite bountiful crops, they should be denied cheap and adequate food and other essentials because of the machinations of the Marxists and fellow-travellers.

When Are Strings Not Strings?

PAUL EINZIG

THE POLITICAL repercussions of the devaluation have barely subsided when the British government came to be confronted with a new revolt on the part of its own supporters. Although it was officially declared that the new credit arrangements with the International Monetary Fund had no "strings" attached, the French government promptly sought to embarrass the British government by leaking the terms of Mr Callaghan's Letter of Intent. Such letters were sent on each occasion since 1964 when a new credit arrangement was concluded with the IMF or with the group of foreign central banks. In this latest Letter of Intent Mr Callaghan communicated the steps the government intended to take in order to strengthen sterling.

Technically the terms of that letter are not part of the loan contract. The Chancellor of the Exchequer gives no formal undertaking that it would actually carry out the intentions expressed in the Letter of Intent. So technically Mr Callaghan and Mr Wilson were right in claiming that there were no strings attached to the granting of the credits.

But Mr Wilson, in his televised statement on devaluation, went surely too far in proclaiming that we are too proud a nation to submit to conditions dictated by foreign bankers. After all, if a Letter of Intent on agreed terms has any meaning at all it means that the central bankers and the governments behind them were only willing to grant credits because the British government expressed its intention to take certain steps. And even if the expression of its intentions do not establish a legal obligation — in any case undertakings between sovereign nations could not be enforced by legal action even if they had been based on a most solemn contract sealed with the Great Seal of the Realm — they certainly establish a moral obligation.

Fiscal Measures

The Paris leaks forced the British government's hands and the new Chancellor of the Exchequer, pressed as he was from both sides of the House, decided to depart from the usual practice and publish its text. His predecessor's professed intentions included considerable reductions of the budgetary deficit. That end could be achieved either by imposition of taxation of Draconian severity or by very drastic cuts in expenditure. Both courses would be equally unpopular. Unless the new taxation assumes the form of a further increase of direct taxes the new Chancellor would find himself confronted with strong opposition on the part of the left wing of the Labour party. Realising this, he has already hinted at the possibility of fiscal measures to reduce profits. But unless he wants to kill private initiative altogether he cannot cover more than a fraction of the deficit by such means. So a large part of the new taxation measures will have to assume the form of indirect taxation which is bound to be resisted by the socialists.

But with the utmost effort Mr Roy Jenkins will be unable to cover more than a relatively small part of the deficit by new taxation. There must also be drastic cuts in spending, to the amount of hundreds of millions of pounds. And this is where he and many of those who greeted his appointment with enthusiasm will part company. Really heavy cuts and, for that matter, really heavy additional taxation, are bound to produce a deflationary effect. Although quite obviously that is precisely what the country needs, politically it is quite unacceptable to government supporters, as it is liable to prevent a reduction of unemployment and might even cause an increase.

Having declared that there are no strings attached to the credit, the government will be unable to claim that it is under obligation to carry out the unpopular steps foreshadowed in the Letter of Intent. It cannot even admit in so many words that it had a moral obligation to take such steps for its admission would constitute the admission of the existence of strings.

Unhelpful Opposition

It remains to be seen, therefore, whether the government will be politically in a position to go very far in the direction indicated by the Letter of Intent. Nor is the Conservative opposition very helpful. Its criticism of deflationary measures makes things even more difficult for the government.

It is a great pity that the contents of the Letter of Intent are not enforceable. During the 'twenties whenever financial reconstruction schemes were elaborated under the auspices of the League of Nations Finance Committee, the reconstruction loans were granted on the condition that the terms of the schemes must be carried out. League of Nations commissioners were appointed to supervise the implementation of the undertakings and the proceeds of the loan were released in instalments as and when the commissioner was able to report progress. Beyond doubt, the strings attached to the loans, and their enforcement by the Commissioners, was incomparably more helpful to the countries concerned than the loans themselves as the proceeds of the loan would have been frittered away in the absence of the strings.

If only the use of the foreign credits were made dependent on the implementation of the Letter of Intent! It might force the government to call a halt to its irresponsible orgy of overspending which, more than anything else, has been the cause of Britain's economic difficulties. The British government and people have forgotten what it is like to balance a budget. The strings attached to foreign aid could and should have taught them what they will have to learn sooner or later. As it is, the non-implementation of the Letter of Intent would mean that the credits might well be more or less exhausted by the time their terms come to be re-negotiated. In that case the creditors will not be in a very strong position to dictate their new terms, for non-renewal would be pointless.

If only the government mustered enough courage to face the unpopularity of carrying out its moral obligations towards its creditors sterling could be saved, not by the credits, but by the improvement of conditions that would obviate the need for drawing on the credits.

The moving finger writes

COMMENTING ON the dismissal of the United Front ministry by the West Bengal governor, this journal had suggested editorially that the defence of this action could be safely left to the central Home Minister. I am, therefore, glad to find that Mr Y. B. Chavan was adequately forthright and firm in dealing with the Red bid in Parliament to call into question Mr Dharam Vira's intervention in the administration of West Bengal. Mr Chavan's task, of course, was rendered considerably easier by the publication of the statement which Mr Ajoy Mukherjee had intended to make when he planned to resign on October 2, but eventually did not do so since he allowed himself to be persuaded to stick on by his communist partners in the coalition. The former chief minister's indictment of both wings of the CPI(M)—the left and the ultra-left—as conspiratorial forces planning against the peace and security of our frontier states not only took the wind out of the sails of the communist groups in Parliament but also raised the important issue whether the Red extremists in West Bengal could be allowed to function with the rights and privileges which attach themselves to normal political association or activity in a democratic system of government. Perhaps this question will be decided against the communists more by the conduct of the communist extremists themselves than by the wisdom and courage of non-communist governments at the centre or in the states.

I have in mind the ultimatum issued by the West Bengal communist groups still seeking to function under the guise of the united front, calling for the removal of the Ghosh ministry, the recall of the state governor and the restoration of the Ajoy Mukherjee cabinet. These demands are backed by a threat of a mass movement of defiance to be launched after December 17, which is the deadline set for the acceptance of the ultimatum. If the threatened campaign erupts into organized violence, as it is only too likely that it will, the argument for banning the political groups behind such an agitation, already strong, will be irresistible. The Reds in West Bengal are certainly taking a big risk. Even if a mid-term poll is to be held for the assembly at some future date, it is highly probable that the communist extremist groups may render themselves ineligible to participate in the election.

* *

In the course of her speech on the occasion of the civic reception accorded to King Savang Vatthana of Laos last week, the Prime Minister permitted herself an observation which has rather interesting implications. Mrs Gandhi said: "Your country has been facing quite a lot of difficulties because of the tussle between the two great powers that is going on in south-east Asia". It is obvious that she could not have been referring to China and the Soviet Union when she made her remark about "the two great powers" — and I should like to know whether this is not the first time that it has been formally recognised by the Government of India that the war in Vietnam is not one between the United States and the Vietcong or between the United States and North Vietnam, but is, in its essential sense, a conflict between the United States and China. Could it be that our Vietnam policy is becoming more rational without Mrs Gandhi being aware of it? Or, is her latest pronouncement yet another example of her flair for talking without thinking of which her Mangla dam message was an earlier illustration?

* *

I am not among those who are inclined to be hypercritical of the agreement between the Press Information Bureau of the Government of India and the Soviet news and feature agency, Novosti (APN). Under the terms of this agreement, "the PIB will supply to the APN feature articles, background material and photographs for distribution among newspapers and periodicals published in the USSR which are interested and also use the material for reference purposes". Since the Soviet press is no more than a government press, this arrangement seems to make sense to me in the same way as our State Trading Corporation doing business with the Soviet trade agencies does. The reciprocal obligation of the PIB to receive from the APN "feature articles, background material and photographs to be used as reference and also to make it (sic) available to such newspapers and periodicals published in India which may request or show interest in such materials" is also not open to serious objection — except on grounds of grammar —if only because the PIB also receives similar material from other foreign government agencies, such as the BIS or the USIS, and holds it as reference material in its library.

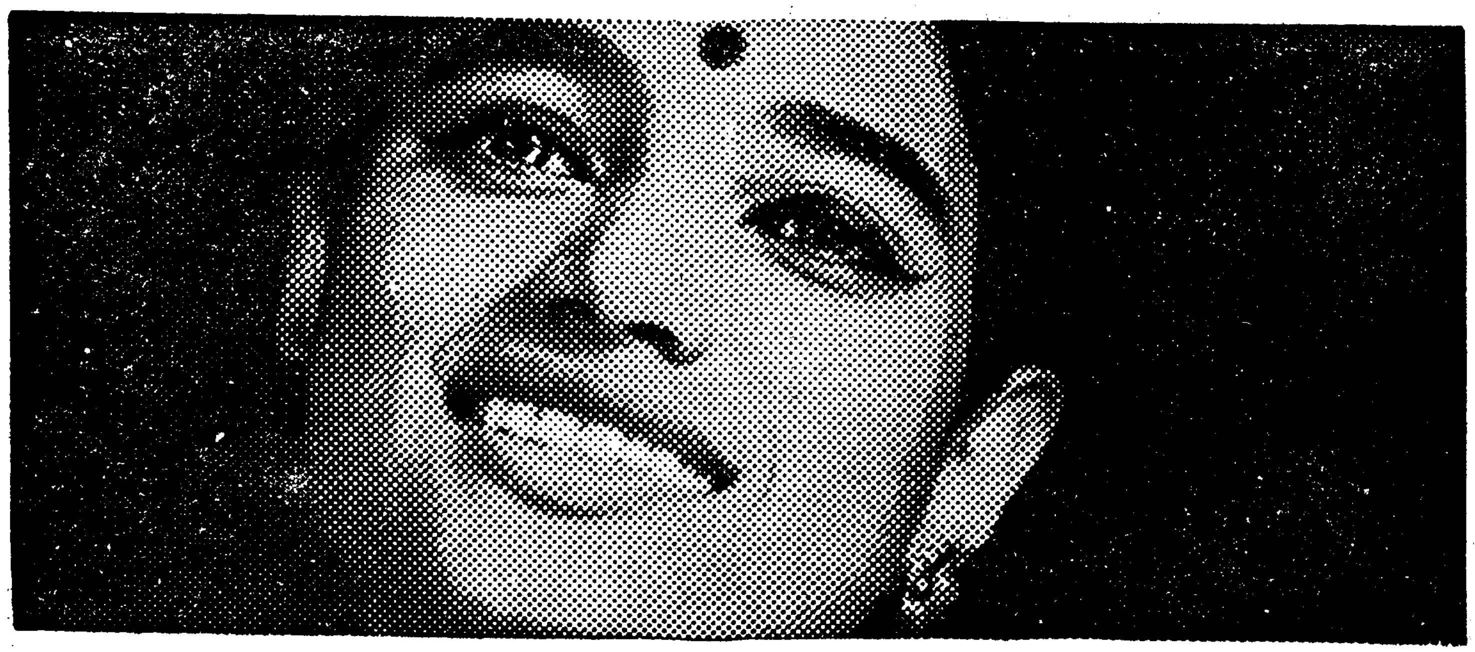
The Minister for Information and Broadcasting, however, strained his brief when he attempted to claim some non-existent virtues for the agreement. He contended that the wording of the agreement made it clear "that PIB is not obliged to distribute (APN material) whereas APN is obliged to distribute (PIB material)". The minister drew a distinction between the PIB's commitment to receive APN material and "to make it available" to newspapers and periodicals in our country and the APN's commitment to receive PIB material "for distribution among newspapers and periodicals published in the USSR". This distinction is without a difference, for neither the APN nor the PIB seems to have been placed under an obligation to force newspapers or periodicals in their respective countries to receive or use the material, while both the PIB and the APN are to be normally expected to share the material which they receive from each other with newspapers and periodicals in their respective countries which may show an interest.

* *

The unrest in the student world, for which the latest pretext is the Language Bill in Parliament, prompts me to recall a conversation I had some time ago with a professor of Eastern Religions from a British university, whom I met at Philadelphia where he was lecturing as a Visiting Professor at the University of Pennsylvania. This learned don, who had been to our country on various occasions, suggested that part of the explanation for the restlessness on our campuses might be that the marrying age of our boys and girls was advancing while the customs and conventions still effectively prevented the coming together of co-eds outside the rigid and respectable boundaries of matrimony. It was his theory that sexual frustration was a major factor making for so many of the younger generation in our country being rebels at home or rioters outside.

The professor, I thought, had something there, but, then, what is the remedy? If a community's sexual mores are to change safely they should surely change gradually. Meanwhile, there must be some means of maintaining a degree of discipline on our campuses. Perhaps Mr Shanti Narayan, Principal of Hansraj College on the Delhi University campus, could help here. Although the principals of other neighbouring colleges closed their colleges when bullied by student crowds agitating against the Language Bill, Mr Shanti Narayan flatly refused to retreat before this organised indiscipline. Unfortunately, the Establishment does not encourage educationists of the calibre of Mr Shanti Narayan and it has no use for men like him when it goes about looking for Vice-Chancellors who, it would seem, must always be senile, sycophantic or politically well-connected.

V.B.



Siemens in India

ALL GREAT enterprises begin with a man and an idea. Today, when we think of electricity, one of the first names that comes to mind is Siemens. The name is associated with all aspects of electric power: with generation, distribution and utilisation; with a network of factories and services manned by 240,000 employees in 100 countries; with equipment ranging from delicate electronic instrumentation designed to help man's fight against disease to massive turbines generating power for millions of people; with research centres probing into the virgin fields of nucleonics and space technology; with a massive and organised collection of varied talents designed to attain one objective: to discover and bring to humanity the benefits of power.

Yet, all this began with a man and an idea. By the standards of any age, the man was an extraordinary individual—Werner von Siemens. We first hear of him professionally running a small workshop in Berlin with a friend, Johann Georg Halske. They made needle telegraph apparatus. In 1866, Werner von Siemens discovered the dynamo-electric principle. The idea had become a reality—a reality which was to transform the lives of hundreds of millions of people, in countries as far removed as South America and India, to improve virtually every aspect of daily living. Electric power would cook food quicker, make transport easier, provide the means for instant world-wide communication, bring light and music and many conveniences into the home. Thus the idea was translated into reality, within the lifetime of the man who made it possible.

There is always a point in time which has historical significance. In Siemens' association with the Indian sub-continent, 1867 marked the beginning of what was to be a continued identification with the country's requirements. In this year, Werner von Siemens personally supervised the laying of the first telegraph line between London and Calcutta. It took three years, the traversing of two of the world's largest land masses, immense patience and broad-mindedness, before the project was completed. It was established as a high point in the history of telecommunication in the 19th century.

This was the beginning of an association. India was a challenge. Here was a country, almost as large as the European mainland and considerably more populous; covering within itself the spectrum of world geography: it had the world's highest mountain range, desert and jungle and plain; people of cultures and ethnic origins as diverse as the most extreme in Europe; here was a people soon to be a nation, aspiring to maturity, to a rightful place in the world of community.

Over the years, the association developed and Siemens identified itself increasingly with the nation's aspirations. Siemens have been closely associated with every aspect of power in the country, particularly power generation—heart of any power system. Hirakud, Chambal, Pathri, Durgapur, Khaperkheda, Rourkela — these are only some of the milestones Siemens helped erect in India's path to self-sufficiency in power. Siemens have been increasingly involved in the production of electrical equipment for industry, agriculture, communications, transport and medical treatment.

Siemens have come a long way since 1867. The Indo-European telegraph line is now firmly a part of history, though some sections (the part in Iran) are still in use. For a century now, Siemens have been supplying vital equipment to India and some of the installations (such as generating equipment supplied in 1912 to the Tata Hydro-Electric Power Supply Company for Khapoli) are still going strong.

Today, Siemens manufacture extensively in India. The government policy in regard to production is clear: to conserve valuable foreign currency, India should manufacture within the country wherever such manufacture is feasible. Priorities for indigenous production have been laid down and within Siemens, these priorities have been closely followed.

Manufacture began in a small way in 1955. A small workshop under an arch of Mahalaxmi Bridge in Bombay was used principally for the assembly of switchboards. Most of the components were imported. A policy decision to manufacture indigenously, resulted in the formation of an Indian Company — SIEMENS ENGINEERING & MANUFACTURING COMPANY OF INDIA LIMITED — in 1957, and subsequently, the establishment of a number of manufacturing units. Simultaneously, Siemens began negotiating with established Indian Companies with a view to long-term production collaborations. The production concerned with electrical basics — motors, switchgear, transformers, cables and the pattern of primary demand following rapid electrification.

Manufacturing in India requires skilled Indian talent. And side by side, with production plan went a comprehensive training programme. Indian engineers were trained both here and in Germany. Various categories of training were established and these were closely geared to project manufacturing and servicing requirements. Furthermore, a training centre has been established in Andheri (Bombay) for skilled workers. Today all but a handful of Siemens 3,855 staff are Indians.

Siemens Service

Drawn from all parts of the country, Siemens employees are engaged in project planning, manufacture, selling and training. For every aspect of work, there is a special type of service — Siemens Service. This can be best illustrated by an example. An enquiry comes through from a sugar manufacturer. He intends to build a sugar mill and would like preliminary discussions on the electrical equipment and controls. A Siemens engineer visits him, talks sugar technology with experience and authority, (he will have been trained in sugar factories both here and overseas) puts up complete plans, co-ordinates production, installation, commissioning and subsequent servicing. This is Siemens' idea of service. It extends to the smallest order.

The Siemens Service applies to all its activities — from communication equipment for ships to pumping sets for farmers; from electro-medical equipment for hospitals to generating equipment for steel plants; from traction for locomotives to transmitting equipment for radio stations. To make sure that Siemens can give quick service anywhere in the country, there are Siemens Offices in Bombay (also the Headquarters), Calcutta, New Delhi, Madras, Bangalore, Ahmedabad, Visakapatnam, Nagpur, Hyderabad, Trivandrum, Rourkela and Patna; also Workshops in Calcutta and Bombay for service and repair facilities.

Switchgear and Controlgear components are manufactured at a Siemens Factory at Andheri, Bombay. The range includes: LT Control Switches, Switchfuse Combinations, LT Airbreak Contactors, Bimetal Relays, Limit Switches, Motor Starters, LT Circuit Breakers, HRC Fuses, 11 kV Switches and many other items.

Siemens Worli Works, Bombay, manufacture various types of switchboards up to a maximum limit of 22 kV, 4000 Amps. Over and above, Relay and Control Panels for power stations and sub-stations, flow diagram boards for chemical and other industries, control desks for all purposes, overhead busbar systems for power distribution in big factories, Mosaic System Boards for load despatch centres and other similar uses, are also manufactured here.

There is also a Workshop in Calcutta for manufacture of switchboards and Silicon Rectifier units for Railways.

Motors and Transformers

One of the first needs following electrification is for motors and transformers. Siemens have, therefore, laid emphasis on this aspect of production. Siemens, together with Licensee Messrs Bharat Bijlee Limited, manufacture a wide range of distribution and power transformers, and induction motors in their new factories at Kalwa. While, Messrs Bharat Bijlee have so far been manufacturing distribution transformers up to 1600 kVA and motors up to 11 kW; Siemens manufacture bigger motors from 11 kW to 132 kW. Special motors, e.g., pump motors, crane and hoist motors, sugar centrifuge motors, ring frame motors, multi-speed motors, etc. and transformers for specific applications are also made. All the motors made by Siemens and Bharat Bijlee are dimensioned according to the latest Indian and international standards. Expansion plans include the manufacture of induction motors and transformers of still higher ratings as also of alternators.

To meet the demand of the machine tools industry, Siemens have also started manufacturing electro-magnetic clutches in their new factory at Kalwa.

The Electro-medical Section of the Worli factory began in 1962, with the manufacture of X-Ray equipments for medical diagnosis. Starting with medium-sized Examination Table equipment with 50 mA single tank, one pulse generator, the Worli unit today produces the most versatile motor driven Examination Tables, equipped with high powered X-Ray generators of 500mA capacity.

This Division has also started manufacturing physio-medical equipment which includes surgical diathermy—short wave diathermy apparatus. The manufacture of operation theatre lamps is soon to follow. Siemens are also contemplating the manufacture of dental units and dental chairs.

The further development plans envisage not only an extension in the range of equipment but also the development of indigenously designed units and components. To ensure a high standard of quality, a modern test laboratory and a tool room has been set up; this is capable of handling intricate electronic circuitry and producing precision components. All this will help make the Medical Division a well-knit unit for producing electro-medical equipments for radiology, physio-therapy, electro-surgery and dentistry.

In addition, Worli Works manufacture low tension current transformers and oil testing sets in various sizes. The future manufacturing programme envisaged includes damper drives, time relays and spark testers, etc.

Bharat Bijlee Ltd.

Not only do Siemens manufacture extensively in India but also collaborate with a number of Indian Companies. These collaborations are part of a long term plan to develop working partnerships with Indian units. Bharat Bijlee Limited, an established Indian Company, joined hands with Siemens in 1958. This Company manufactures motors up to 11 kW and transformers up to 7.5 MVA under SIEMENS Licence. The collaboration has moved from strength to strength. To keep up with the rapidly increasing demand, Bharat Bijlee Limited, have recently commissioned a new factory at Kalwa near Bombay. This factory, built on a site adjacent to the new Siemens factory, will considerably increase their production capacity. The manufacture of Power Transformers up to 7.5 MVA 66 kV will commence soon at this new factory. With electrification extending apace in rural areas, more and more motors are being used in agriculture—for pumping sets, for flour and saw mills; special motors are manufactured to the requirements of the textile, machine tool and other industries. So also with transformers. These are available in standard designs and can also be made to requirements. Special designs include transformers for use in load centre stations as also Booster Transformers for Railway electrification. Siemens knowledge, skill and experience are drawn upon and applied to every aspect of manufacture.

Cable Corporation of India Limited

Another field of collaboration concerns cables. Siemens Cables are manufactured under licence by the Cable Corporation of India Limited.

At the moment, production extends to Tropodur (PVC) wires up to 1.1 kV and Tropodur Cables up to 6.6 kV for wiring and cabling installations, this will soon be extended to 11 kV. Tropodur screened signalling cables and mining cables are available up to 3.3 kV. Paper insulated power cables for voltages up to and including 22 kV are manufactured. Special orders of 33 kV cables are also undertaken.

Other Collaborations

Not only are Siemens associated with the private sector, but also with government undertakings. A most important collaboration is the agreement entered into with Bharat Electronics Limited, Bangalore, for producing transmitters and X-Ray tubes. These collaborating companies manufacture priority items in government planning and help save foreign exchange. Backed by Siemens experience, research and other international facilities, these companies also benefit by the Siemens India Organisation.

Another collaboration with Jaipur Metals and Electricals is for the manufacture of single phase AC service meters.

Siemens in Industry and Agriculture

All these measures—local manufacture, collaborations and training schemes were backed by the encouragement, experience, research and active participation of the parent company. This has produced good results. Today, four Siemens factories produce products ranging from motors, switchboards and switchgear, to railway signalling and electro-medical equipment. Collaborating companies produce cables, motors and transformers. Future plans envisage extension of present lines and the introduction of new products.

Siemens is also taking a great interest in the agricultural market. The sales network has been extended to remote districts. The design departments are looking closely at products from the viewpoint of rural operating conditions.

Special motors which can withstand wide voltage fluctuations have been introduced. Switchgear with special sturdy enclosures which enable exposure to weather conditions in open fields are being manufactured.

The five-year Plans are concerned with virtually all aspects of a developing economy. But certain items catch the public

Dr ERNST VON SIEMENS

Dr Ernst von Siemens, leading German industrialist, chairman of the board of directors of Siemens AG, has an enlightened attitude towards all problems connected with world economy. Equally so, his views concerning development aid are clear and unmistakable: "I consider development aid as a whole to be one of the most decisive subjects of post-war-policy. And I can imagine that later centuries may perhaps one day judge from the success or failure of development aid, whether the great industrial companies of the twentieth century have realised their mission in the world and solved the attendant problems".

Ernst von Siemens knows India from many visits he has paid. Siemens India is at present the largest company overseas in the Siemens Group. And here in India, Siemens have frequently practised their ideology of development aid: development aid in the form of partnership. Together with other companies of the country concerned or in unison with the government, Siemens have erected factories, in which they often only hold a minority.

The new electric motor works at Kalwa in the vicinity of Bombay, Dr Ernst von Siemens has called an example of human thought and endeavour on a platform of partnership. In respect of architecture, building and space layout, Indian and German experience, Indian and German materials, Indian and German objectives have most profitably supplemented each other.

Ernst von Siemens, principal of the Siemens Group, has been a member of the company for 38 years. He has held the position of chairman of the board of directors for already 11 years. Despite the demands this makes upon him, at the age of 64, he still finds the time to devote himself to his hobbies. He is deeply interested in botany and music. As a patron of the arts and sciences, Ernst von Siemens is widely known.

eye and are the focal points of the plans. The steel plant is one such project. Perhaps, more than any other, it has caught and stirred the public imagination. The most modern steel plant in South-east Asia to be built first under the five-year plan was the Rourkela Project.

Siemens were closely associated with the project. In the first stage, Siemens supplied the complete power station : three Turbo Alternator sets each rated at 25,000 kW, the turbo generator units and ancillary electrical equipment. In addition, all primary power distribution was designed, supplied and erected by Siemens. This included sub-stations, cables and transformers. A star feature of the Rourkela plant is the wide rolling mill. This rolling mill compares favourably with the most modern in Europe. Siemens designed and supplied all the electrical equipment.

Siemens have completed an additional order for the second phase of expansion. Siemens electrical power equipment will in this phase, help raise production capacity from 1 million to 1.8 million tons.

The Neyveli Lignite Mining Project in Madras, although a much smaller project, is another case in point. Here in an area covering 5¼ square miles, a fully mechanised mining operation is working on what has been estimated as a potential of 200 million tons of lignite. Giant bucket wheel excavators, with bucket capacity of 350 and 700 litres are employed and the latter have an hourly output of 1840 cubic metres. All electrical equipment for excavators, spreaders, trippers and belt conveyors have been supplied by Siemens.

Other Commitments

Siemens are committed to many other areas of priority in the five-year plan. In industry, Siemens have undertaken the complete electrification of factories cutting across a wide spectrum; sugar, textiles, mining, fertilizer, cement and scores of others; in many cases, pioneering new electrical processes and always providing installations tailor-made to the requirements.

Siemens pioneered textile electrification in this country with the introduction of variable speed spinning, with commutator motor and speed regulators. The benefit—maximised production and a consistently high quality spun yarn. Hundreds of these motors are at work in mills all over India. Siemens have developed an entire range of motors, special starters and switchboards and have designed, supplied and erected complete plants.

Again, in the field of synthetic and chemical fibres, Siemens have pioneered, designed and supplied special equipment : Frequency Conservators, High-speed spinning pot motors (thousands are in use at the moment), reluctance motors and high frequency clophen transformers and switchboards.

Similarly in the sugar industry. Once again, we find Siemens meet specific industrial requirements. The industry requires highly specialised drives and controls. Siemens have supplied large numbers of multi-speed pole-changing sugar centrifuge motors and control panels and pioneered the development in India of single-speed centrifuge motors. And with this, as with all Siemens equipment, there goes the service of first class engineers, fully trained not only in their own business but in the industries they serve.

Turning to power generation, we find Siemens designing, supplying and installing an entire thermal power station in Durgapur on order of the government. The plant has a dual function : it supplies power to the coke-oven plant at the industrial complex as well as for general utilisation. Initially, the capacity was 60,000 kW. Three additional Siemens Turbo Generator sets 77,000 kW each have been supplied, erected and commissioned to augment the power station and boost the government's industrial drive in and around the coal belt and Calcutta city.

DR P. DAX

Dr P. Dax was born in Hungary (Budapest) in 1913. He worked for the Siemens factory in Hungary till the end of World War II. After the War, he headed for six years the Siemens office in Austria. In 1953, he became the President of Siemens Medical Division which is the largest medical-electronic company in the world. He is at present a member of the Board of Directors of the Siemens Group and is incharge of all the foreign operations of the House of Siemens.

All along, we find Siemens pioneering, providing total electrification, developing new and better equipment to do the job. Look at the Siemens record in ship-building.

1954 : India's first diesel ship M.V. 'JAL VIHAR' built at Visakhapatnam fully electrified by Siemens. Also, establishment of a service department and office by Siemens.

1958 : Siemens supply first indigenously fabricated Marine Switch Boards—D.C. System.

1960 : Siemens supply first indigenously fabricated Marine Switch Boards—A.C. System.

1960 : Siemens supply first indigenous Marine Motors.

1961 : Siemens open first Marine Service Department in Calcuttta.

1962 : Siemens supply first indigenous Marine Starters.

1966 : Siemens demonstrate first proto-type of the mechanical portion of the winch.

And in all, over 70 ships plying under the Indian flag are provided with Siemens Electrical equipments, the majority with A.C. winch motors, a Siemens speciality.

Trunk call from Delhi to Agra and chances are your voice will be carried on Coaxial cable and equipment supplied by Siemens—a cable system capable of simultaneously carrying 960 telephone conversations between Delhi-Agra-Kanpur-Banaras. This carrier-on-line technique is one of the latest contracts won by Siemens in an association dating back to 1932. In that year, carrier system was first demonstrated by Siemens in Calcutta. Soon after the first systems for single channel carrier circuits between Bombay-Delhi, Bombay-Ahmedabad were ordered, an order for three channel carrier system between Bombay-Calcutta followed. For the latter, special high gain amplifiers were designed and developed by Siemens factories in Germany. In a country as large and as varied as India, communication over wires and cables alone cannot suffice. In 1959, Siemens entered into collaboration with the Government of India for the manufacture of transmitters and X-Ray tubes, at Bharat Electronics Limited, Bangalore. Since then, hundreds of these wireless equipments have been installed in different parts of the country to provide instant communication, at all times of the year, under conditions of war and peace.

Overseas Communication

In the allied sphere of intercontinental telecommunication, Siemens have worked closely with the Overseas Communication Service of the Government of India, to provide a fast and reliable link with distant parts of the world. Siemens were the first to introduce their automatic error correcting equipment for telegraph circuits in India; this made the present international telex service possible.

Siemens have also concerned themselves with the needs of the common man who, unable to afford a telephone connection, has to rely on telegrams to communicate with friends and relations in distant parts. Over the years, Siemens have supplied large numbers of teleprinters to the Indian P & T Department, Overseas Communication Service, Defence Services, Railways, News Agencies and others. Similarly, Siemens were the first to introduce a tape relay exchange, for speeding up telegraph traffic in India. The installation of Siemens Tape Relay Exchange at the Central Telegraph Office, Bombay, in 1955-56 was an important landmark in the history of telegraph services in India.

With transmission of electric energy over long distances and with a number of generating stations feeding power into a common grid, quick and instantaneous communication between the generating and distributing centres is a necessity; only then cheap and reliable supply of energy can be assured. In this field also Siemens have not lagged behind, but rather were the first to introduce power line carrier communication technique in India. As early as 1952-55, first orders for power line carrier communication equipment were received from the then Electricity Departments of the Punjab and Uttar Pradesh. Since then, Siemens power line carrier equipment has been installed, commissioned and used throughout the country.

Railway Signalling

Another field of communication of vital importance to the country is Railway Signalling. Even here, Siemens have been actively concerned. The 2-wire mechanised signalling technique was introduced by Siemens and has now been standardised upon and is now manufactured within the country to Siemens international standards. The modern route relay interlocking technique was introduced to the Indian Railways—at the Churchgate Railway Station in Bombay in 1958 by Siemens. Since then, in this sphere also, a large number of equipments have been supplied, installed and commissioned all over the country—one of the latest being that for the Ahmedabad Railway Station of the Western Railway which, when completed, will be the largest installation of its kind in Asia. Indigenous equipment for Railways is manufactured at Worli Works, Bombay and includes light signals and other accessories for the Route Relay interlocking.

.... and so it continues. Factories and collaborations spreading goods and services throughout the country. Commitment to every field of economic endeavour—industry, agriculture, communications, transport, medicine—ceaseless research and improvement in every sphere of power generation, distribution and utilisation. Intensive training and the accumulation of Indian skills sharpened in factories around the world to serve India better. A concentration of production, distribution and planning talent.

Our Future Rests Not on Germany Alone

Dr ERNST VON SIEMENS

EVERY THIRD DM of our total sales volume was due to business abroad. Foreign business alone now exceeds the total volume of domestic and foreign sales 10 years ago, thereby attaining a status it has not enjoyed for a century.

This means that over the past 20 years, our group has once more reached the international level of technical progress that was and should always remain a characteristic feature of our organization. In the future, we shall have to measure our performance even more against international standards in order to face the growing competition both at home and abroad.

When the foundation stone of Siemens & Halske was laid in Berlin 118 years ago, Germany was hardly what can be termed an industrial country. England was then industrially far in the lead. With its exports of industrial goods, it was ahead of all other nations.

Siemens realised from the outset the importance of starting business abroad and as early as 1863, a factory in England was established for galvanised rubber. In 1879, a cable factory was established in Russia. Business in England and Russia expanded to such an extent that the number of our employees in other countries exceeded for a time the number of employees in Berlin. The crowning technical achievement of foreign business in those days was the establishment of the Indo-European telegraph line from London to Calcutta. It was installed under difficulties and at a great effort over the years 1867 to 1869 and was 11,000 km in length, the longest overland distance ever spanned at that time. Considering the enormous technical and financial risk involved in those days, the line was one of the largest projects undertaken by our firm and was heralded as a sensation throughout the world.

Telegraph and railroad signal engineering were the main fields of activity of the young firm during the first 30 years of its existence. Telegraph and power engineering, initially of limited range, were not added until the end of the 1870's. With the introduction of these new techniques, a need arose for the establishment of the first assembly plants and business in other countries. A new factory in Vienna was added to the already existing factories in London and Petrograd.

From the end of the 1890's onwards, Siemens & Halske, demonstrated their capabilities outside Germany in the field of communications engineering and in power engineering. Thus Siemens & Halske established a telephone exchange in Rio de Janeiro, completed Europe's first underground railway in Budapest, and, at the beginning of the new century, built a heavy-duty electric ore railway for Sweden.

After the first decade of the present century, Siemens was already represented in 168 cities outside Germany. World Wars I & II, resulted in grave setbacks. But, despite all losses and economic crises, we succeeded by dint of great efforts in the 1920's and 1930's and again from 1946 onwards, in regaining a share of the European market.

As a result of the endless trouble we experienced at home and the difficulties involved in export business, we had at first little time to apply our efforts to the rehabilitation of foreign trade. But it very soon became clear that our organization would never be able to recover its international standing unless export business was resumed.

Effective Aid

We also discovered very early that foreign business cannot be maintained unless it is supported by factories set up in the countries to which our exports are sold. Whereas our foreign factories were earlier located almost exclusively in Europe, today they are being set up in more and more countries overseas. Also in view of the financial structure of many countries, it is more favourable if some of our equipment can be produced in these countries. Factories in developing countries can, moreover, prove to be the most effective form of economic aid. Today, we have 31 factories outside Germany, not counting numerous workshops which sometimes have the character of factories.

Our foreign distribution companies and factories today maintain a staff of about 35,000 of which only about 500 are from Germany. More and more of our foreign employees—over 3,000 so far—are being given opportunities to undergo further training at our factories in Germany. These include a growing number of commercial apprentices. Efforts in this direction are already yielding perceptible results. More and more executives in our overseas offices, are being drawn from the countries to which they belong.

The quality of our employees is the guarantee for our remaining one of the world's leading international electrical engineering organizations. Their capabilities on the sectors of development, production, sales, installation and service make our organization, a valued partner in all electrical engineering projects throughout the world. The steady advances that are being made in the field of science, however, repeatedly call for new technical solutions adapted to the highly diversified requirements of the world market. This, too, frequently calls for considerable incentive and enterprise.

Research and Development

Let me illustrate this with an example. The project was that of fabricating ultra-pure-silicon. This material has become indispensable in industrial electronics on account of its outstanding semi-conducting properties. The fabrication technique developed at our laboratories in Germany warrants that no more than one impurity atom will be present among 10,000 million silicon atoms, and has proven to be a solution which is both elegant and economic. Thus firms of international repute in Europe, Japan and the USA have taken out licences to produce ultra-pure-silicon according to our technique. Results of such far-reaching importance to our organization can only be obtained through intensive research and development carried on in modernly equipped centres staffed by highly qualified scientists. This is necessary because, in our fast-moving age, we can only maintain the leading position that we have regained for ourselves on the international market if we continue to achieve results of the first rank.

Business with foreign companies and with our foreign organizations is today such an essential factor that neither can be regarded any longer as a marginal element of our overall business. Despite all the restrictions which still exist, and despite all the unnecessary hindrances to the free exchange of goods, labour and capital across national boundaries, the era of self-contained national economies is nearing its end. For us, the Siemens Group, the potential of the West German market will therefore in the long run prove too small as measured against the international market. We should start to accustom ourselves to the idea that the future of our organization will lie just as much outside as within the frontiers on Germany.

Research—The Foundation of Progress

Dr HELMUT WILHELMS

RESEARCH IS the very foundation for the future development of an up to date industrial undertaking. Furthermore, pure science today can no longer be separated from engineering which represents the utilisation of such knowledge. Research is, therefore, the necessary scientific pre-condition for successful engineering.

The Siemens group spent in the last year about Rs 100 crores for research and development. This amounts to about Rs 400,000 for every working day. Research and development activities carried out by us cover practically all fields of electrical engineering and electronics. The Siemens group employs a total of 15,000 specialists for research and development, a majority of whom work directly in laboratories in the various factories and concern themselves with the development and continuous improvement of products and processes. But the fundamental research and development of principally new products and systems is done in two research centres: one in Munich for telecommunications, the other in Erlangen for basic research and heavy electrical engineering.

Electronic computers are the youngest—and possibly the most complicated and most expensive item—of modern electrical engineering. With large investments in the development of new computers, the Siemens group has already succeeded in considerably enhancing its share of the market.

In the field of heavy electrical engineering, the development of reactors is of the utmost importance. We have developed on our own the two principally possible reactors-systems for using natural as well as enriched uranium, and are as such one of the very few big industrial companies with knowledge and experience for both systems. The atomic power station at Obrigheim, with an output of 300,000 kW, designed and built by Siemens, will be the most powerful one in Germany when commissioned in the beginning of 1968. The Obrigheim station is, however, only half the size of the new 630,000 kW nuclear power station, which will provide electric power in the vicinity of Hamburg, and for which the order has been placed on us a few weeks ago.

These are just a few important milestones where Siemens' advanced research has lent support to modern technology for the betterment of man. There are many more of them in which Siemens have a sizeable investment and in which our scientists are doing pioneering work, and their inventions help us to stay competitive and to safeguard the existence not only of the Haus Siemens in the whole world, but also to safeguard the existence of licencee-friends everywhere.

Werner von Siemens

WILHELM TREUE

BORN ON December 13, 1816, Werner von Siemens had his education at Berlin as a studying soldier at the United Engineering & Artillery School. At a very young age, Werner showed signs of a wide awake and ambitious man with a decided gift for mathematics. By the time he became a young officer he had already revealed the genius of a nascent entrepreneur. He was a successful technician in telegraph construction, a scientist drawn towards research, a member of the Polytechnic Society and one of the founders of the Physical Society. From the beginning, he knew his true goal of a researcher, a purposeful inventor and a technician applying his knowledge to the furtherance of his enterprise.

Stimulating Environments

Siemens moved in a circle which did pioneering work for the progress of culture and civilisation in course of the technical and industrial revolution and the liberal era. It was a stimulating environment and it helped to develop Werner Siemens' talents. By the time he was 30 years old, he decided to devote himself entirely to telegraphy as 'an important branch of scientific technology in its own right'.

He turned to the improvement of Wheatstone's dial telegraph and in 1847 invented the guttapercha press for the seamless insulation of wires. On October 1, 1847, he founded, together with the University mechanic Johan Georg Halske, the Justizrat Johann Georg Siemens, a 'telegraph construction establishment' which worked on handicraft and petty industry lines. Siemens became the spiritual inventor and practical constructor of equipment and installations which time and again turned out to be capable of development over years and decades.

As his commercial and scientific horizon broadened and he became increasingly aware that the electrical field had immense potentialities of great importance for mankind, he realised the great importance of electrical telegraphy for practical life for the transmission of news and signals. The great telegraph lines which the firm of Siemens and Halske built in Russia from 1853 to 1855 brought it technical vindiction and economic success. They displayed the Siemens brothers as technicians, inventors, organisers and entrepreneurs on a large scale in international business.

Apart from scientific research and success, and acknowledgement by the award of the honorary doctorate of Berlin University, the decade from 1856 to 1866 was marked by three great spheres of activity pregnant with future developments: to begin with the work on telegraph lines in the Mediterranean and the Red Sea which clearly showed the long-term superiority of Siemens' scientific working methods.

Patent Protection

The second sphere of activity was constituted by Werner Siemens' efforts to obtain effective patent protection for the German inventors and the German national economy. The third area of activity was created in 1866 when Werner Siemens discovered and demonstrated the dynamo-electric principle. These great economic-technical and legislative pioneer deeds in Berlin were followed by a great step towards world-wide economic activity.

In 1867, Siemens began to put into effect the scheme of creating a special telegraph line between England and India via Russia and Persia—the Indo-European line. The existing Persian-Indian cable laid in 1862 by an English firm through Asia Minor and Persia, displayed severe faults, which clearly showed the need for a line planned as a connected whole and under an individual management. Werner, Wilhelm and Carl Siemens secured the support of the governments concerned and began to put the project into execution in 1865.

Werner Siemens himself constructed a special apparatus which enabled messages to pass between the two terminal points of the line without any manipulation at the intermediate stations, in order to preclude loss of time and mutilation by telegraphists in forwarding. The first official experiments on April 12, 1870, which proved successfully that one could converse from London to Calcutta along a line of nearly seven thousand miles quickly and surely, created a sensation.

Only a few years later, a direct trans-atlantic cable was laid after risks and losses through cables breaking and other events. However, this provided experience and mastery of cable-laying in deep water and in the course of a decade, the firm of Siemens Bros. laid six further cables through the Atlantic.

Before we turn to a last great event in the life of Werner Siemens, we will recall some important dates in his life in the seventies and eighties—they invariably belong to the two sides of commercial responsibility and of science. The one is the improvement and application of Bell's telephone in 1877, the electrically driven railway in 1879 and tramway in 1881, the laying down of the practical electrical units of measurement in 1884 and the founding of the German Edison Company in 1883, out of which grew the AEG in 1887. On the other hand, we would recall his reception into the Berlin Academy in 1873, the foundation, sponsored in concert with Postmaster General Stephen, of the Electrotechnical Society in 1879, the call for chairs in electrical engineering at the Technical Colleges in 1881 and finally the foundation, instigated and materially and ideally decisively fostered by him, of the National Physical Research Institute in 1887—five years before his death.

Extending Areas of Knowledge

"It is not sufficient however," wrote Werner von Siemens in his memoirs in 1891, "to leave scientific engineering to its own undisturbed development, it is rather necessary to assist its progress by an organisation for the furtherance of scientific investigation i.e. for the extension of the area of our physical knowledge, on which technical progress is also dependent." Twentyseven years before Harnack's foundation of the Kaiser Wilhelm Society, now the Max Planck Society, Siemens recommended the creation of an 'institution, not subserving instruction but scientific research exclusively', proposed that to this institute be added a second "for the scientific support of engineering". In his will he bequeathed a 'considerable' sum of money for the furtherance of scientific research and moreover placed a suitable site at the disposal of the government for the building. Siemens himself, however, insisted that pure scientific work exclusively should be carried out, and not training for higher scientific instruction.

Werner Siemens not only had great and basic ideas and modulated them, he also frequently adopted those of others, which he developed scientifically and theoretically and, thinking and acting as a man of affairs, made economically viable. Siemens was always concerned in commerce, with the achievement of perfection of a process or object, which enabled it to be produced in large series. By way of invested capital, the enterprise which Werner Siemens had built up and managed was no doubt smaller, at his death, than many a heavy-industry combine—but not smaller in terms of world commerce or world politics and certainly not as regards scientific importance. The communication of news is, of course, inherently a more spacious subject than an ironworks or a rolling mill—but with Werner Siemens the object of his industrial subject attained a further dimension beyond applied technology by his pursuit of basic science.

The historian who not only concerns himself with Werner Siemens in his time, but also enquires after his significance for our time, will accordingly be confronted by two facts: on the one hand, the great achievements have continued to bear fruit; they have shown themselves to be genuine and fertile starting points for ever new ideas and developments until the present day. Then again, the National Physical Research Institute became a model of similar foundations in England and the US and has continued to be an example for the founding of CERN (European Organisation for Nuclear Research, Geneva) and DESY (German Electronic Synchroton, Hamburg). Much the same applies to the patents system.

Werner von Siemens was one of the great men of his time. And his works have had to strive for new greatness and importance to the present day.

Indo-European Telegraph Line

K. SONDHI

IN THE annals of the House of Siemens, the plan of establishing the Indo-European telegraph line between London and Calcutta by way of Russia and Persia, has been recorded as a bold venture to demonstrate "what telegraphy can do". And not the least, it reflected exemplary determination and team work put in under the able leadership of Werner von Siemens.

UP to 1867, the operation of an up-to-date overland telegraph service between Europe and India through barren and uncivilized regions was practically impossible. Unsuccessful attempts were made as early as 1859 to connect India via submarine cable through the Red Sea. The overland telegraph system existing through Asia Minor and Persia was in a very poor condition. The distances over which through traffic could be maintained were very short so that the message had to be frequently re-telegraphed. In view of the fact that the operators were, in many cases, familiar only with their own native tongue, each such operation was a source of possible error. Maintenance of overland lines in the barren and trackless regions was impossible. It was, therefore, not surprising that on reception after many days of delay the telegrams were mutilated to the point of being un-intelligible.

Warner von Siemens, a young German engineer, realised that for satisfactory transmission, the telegrams should not be manually passed from one network to the next, but relayed via one through trunk line operated throughout on the same technical system, under one and the same management. As things then stood, only a private undertaking could deliver the goods.

Direct Overland Line

In March 1867, we propounded a plan for the laying of a direct overland line through North Germany, Russia, Persia to Teheran which linked up with the Anglo-German cable. By autumn 1867, having received the concessions from various governmental undertakings, the Indo-European Telegraph Co. Limited, was found. The order for the construction and laying of the overland line at a cost of £400,000 and also the maintenance contract for £34,000 per annum, was at that time the largest transaction handled by Siemens & Halske and Siemens Brothers. The land line followed the route London-Lowestoft - Emden - Berlin - Thorn - Warsaw - Jitomar - Odessa-Kertch - Suchum - Tiflis - Julfa - Teheran, a distance of approximately 6,000 km. Of this, the company had to lay the section between Thorn and Teheran, a distance of 4,700 km. There were two wires of 6 mm. diameter which had to be carried on approximately 70,000 supports which were planned as spruce poles in Poland, oak poles in southern Russia and iron poles in Persia. In Teheran, these land lines were joined to the lines belonging to the Indian government, running from Bushire to Karachi via submarine cable in Persian Gulf. The overland line also included a submarine cable which was laid in the Black Sea.

The laying of the Indo-European line was an outstanding achievement fraught with several severe problems. The route of hundreds of miles through wild uncivilized country, was exposed to extremes of heat and cold and superstitious fears of the inhabitants. To mention just one problem; the transport of 500 tons of wires and even heavier iron poles in the Persian section involved the loading and unloading of material on mules for a hazardous journey across the trackless mountains.

Other Problems

Other problems were the abnormally cold winter and to add to it, an earthquake in the Black Sea region which broke that section of the submarine cable.

Werner von Siemens devoted all his energies and time by imparting personal instructions to the operators in the Berlin telegraph room, from where he controlled the whole line.

At last in 1870, the telegraph line linking London to Calcutta was declared open. The actual length of the telegraph line was approximately 11,000 km. i.e. more than a quarter of earth's circumference. Werner von Siemens had achieved the impossible—and won fame.

Werner von Siemens had employed the punch tape technique for the transmission of messages with alternating current impulses produced by magnetic inductor, which had a double 'T' armature synchronized with the contact impulses resulting from the punched tape. This resulted in the transmission of 800 to 1,000 telegrams per day. Special type of relay working upon the principle of polarized relay was developed which re-transmitted the messages automatically to the next section of the line. Because of its sensitivity, the messages could be recorded at the intermediate stations for checking up at the same time. High speed telegraph printer was developed for automatic recording of the incoming messages.

The commissioning of the Indo-European Telegraph Line, enabled messages to be sent in six hours and seven minutes, compared to the average transit time by the then alternate Turkish route of one day, 6 hours and 20 minutes.

The Indo-European Telegraph Line with an almost uninterrupted operation for about 60 years has had a reputation of being one of the speediest, most reliable and most profitable of the world's great telegraph lines.

Trade Winds

NATIONAL INCOME ESTIMATES

ESTIMATES OF the net national product (i.e., national income) of India at current prices have been placed at Rs 20,424 crores in 1964-65, Rs 21,064 crores in 1965-66 and Rs 24,157 crores in 1966-67; the corresponding figures at 1960-61 prices are Rs 16,219 crores, Rs 15,441 crores and Rs 15,706 crores. The corresponding per capita net national product works out at Rs 427.1, Rs 430.1 and Rs 481.5 at current prices and Rs 339.2, Rs 315.3 and Rs 313.1 at 1960-61 prices respectively. This is revealed in the 'Estimates of National Product (Revised Series): 1960-61 to 1966-67' released by the Central Statistical Organization. The following table presents the estimates of total and per capita net national product at current and 1960-61 prices and the year-to-year changes in the latter.

Year	Net National Product				Percentage increase over the previous year in national product (at 1960-61 prices)	
	At Current Prices		At 1960-61 Prices			
	Total (Rs. crores)	Per Capita (Rs.)	Total (Rs. crores)	Per Capita (Rs.)	Total	Per Capita
1960-61	13,453	310.0	13,453	310.0		
1961-62	14,315	322.3	14,037	316.0	4.3	1.9
1962-63	15,179	332.9	14,329	314.2	2.1	(—)0.6
1963-64	17,563	376.1	15,101	323.4	5.4	2.9
1964-65(P)	20,424	427.1	16,219	339.2	7.4	4.9
1965-66(P)	21,064	430.1	15,441	315.3	(—)4.8	(—)7.1
1966-67(Q)	24,157	481.5	15,706	313.1	1.7	(—)0.7

(P) = Preliminary estimate (Q) = Quick estimate

The decline of 4.8 per cent in the national income for 1965-66 at 1960-61 prices is mainly attributable to a substantial fall in agricultural output due to very adverse climatic conditions during the year. The large decline in agricultural production also resulted in relatively small increase in the net product of the non-agricultural sector. In the year 1966-67, in spite of a marginal increase in the value of output of agriculture proper (i.e., cultivation), the net product from agriculture including 'animal husbandry' showed a slight decline because of fall in livestock production due to recurrence of drought conditions. Although the non-agricultural sector showed some improvement, the overall increase in the net national product in 1966-67 was only 1.7 per cent over the previous year. The per capita net national product fell by 7.1 and 0.7 per cent during 1965-66 and 1966-67 respectively. The share of the public sector in the net domestic product at factor cost, which was 10.7 per cent in 1960-61, showed a generally rising trend and stood at 13.3 per cent in 1965-66. The gross fixed capital formation at current prices in the public authorities increased from Rs 717 crores in 1960-61 to Rs 1,286 crores in 1965-66. The aggregate private income at current prices increased from Rs 13,528 crores in 1960-61 to Rs 21,296 crores in 1965-66.

MANAGING AGENCY SYSTEM

The government has decided to abolish the managing agency system. Disclosing that the system might go by the end of 1969, the Minister for Industrial Development said in the Lok Sabha early this month that he planned to come to the House with a comprehensive bill in the next session to deal both with the managing agency system and business firms' donations to political parties. He explained, however, that in abolishing the system, the government had to make sure that industrial development did not suffer in any way.

VIZAG FERTILIZER PLANT

The Rs 50-crore Coromandel fertilizer plant in Visakhapatnam, the largest in India in the private sector, was formally inaugurated by the Deputy Prime Minister on December 10. Built in collaboration with the USA, which has loaned Rs 20.25 crores in foreign exchange and Rs 14.67 crores in Indian currency, the plant will produce annually 260,000 tons of ammonium phosphate and 16,500 tons of urea for further processing as plant nutrients. When it goes into full production, it will turn out 153,000 tons of plant nutrients a year and with the completion of its expansion programme in four years, it will have trebled this production to 450,000 tons. The Coromandel plant, which comprises five units for the production of ammonia, urea, phosphoric acid, sulphuric acid and complex fertilizer, will annually save an estimated Rs 25 crores in foreign exchange.

TRANSMISSION LINE TOWER INDUSTRY

With the formal commissioning by the Deputy Prime Minister (and Finance Minister) of its second unit at Jaipur last month-end, the Kamani Engineering Corporation has become Asia's largest and the world's second largest firm fabricating transmission line towers. Its first unit at Kurla, near Bombay, which had a modest beginning in 1951, reached a record production of 1,000 tonnes per month in 1958, and soon thereafter touched a new high of 1,500 tonnes. The production at the Kurla unit since then has maintained a steady progress, and now the second unit, with an annual capacity of 30,000 tonnes, will make between the two units an average capacity of 5,000 tonnes per month or an aggregate of 60.000 tonnes per annum. The progress of the Corporation over the last two decades was reviewed by its chairman, Mr P. R. Kamani. He disclosed that the Corporation had already supplied nearly 300,000 tonnes of towers within the country to various state electricity boards. It had also already exported towers worth about Rs 4 crores to nearly a score of countries. The Kamanis had set for themselves an annual export target of Rs 10 crores, the chairman stated.

NEPAL RUPEE DEVALUED

Nepal devalued on December 8 its currency by 26 per cent in terms of Indian currency. The new exchange rate has been fixed at 135 Nepali rupees for 100 Indian rupees, Rs 24 per pound sterling and Rs 10.1 per US dollar. The Nepal government had earlier resisted pressures to devalue after the devaluation of the pound sterling and had reduced the exchange rate to Rs 18.28 per pound.

BANKING AND INSURANCE BILLS

Two bills providing for the social control of banking institutions and of general insurance companies will be introduced in Parliament in the current session. This was disclosed last week by the Deputy Prime Minister at the meeting of the Informal Consultative Committee of the Finance Ministry. He further stated that he would make a statement on social control of banks in Parliament this week

Though there might not be enough time to pass the banking bill in this session, Mr Desai said, the scheme of social control would have been implemented by the time the bill was enacted. Though he did not refer to general insurance, it is likely that a bill on social control of general insurance may also be introduced in the current session. Provisions in the existing Insurance Act for supervision would be tightened up and a council, on the lines of the national credit council for banks, is envisaged.

TAXATION LAWS TO BE SIMPLIFIED

The Rajya Sabha returned the Taxation Laws (Amendment) Bill, 1967 as passed by the Lok Sabha. The bill seeks to replace an ordinance issued in September last under which the rates of annuity deposits were raised and restrictions placed on entertainment expenditure in business and professions. Winding up the debate, Mr Morarji Desai said that steps were being taken to simplify the taxation laws. Provision would also be made for penalties which would deter people from evading taxes. He assured the House that all legally possible steps were being taken to recover tax arrears. He said that although he was also not happy about enhancing the rates of annuity deposits, the scheme would continue until the government found a substitute which could give the needed resources. He hoped to evolve some method by the next financial year to overcome the objections to the scheme.

SUGAR EX-FACTORY PRICES

The Government of India announced on December 8 the ex-factory prices of sugar at which levy sugar will be procured from the factories out of the 1967-68 production. These prices have been determined for the zones recommended by the Sugar Enquiry Commission. The prices per quintal of sugar for D-29 grade of sugar are as follows: Zone I (Maharashtra, Gujarat, north Mysore and north Andhra Pradesh)—Rs. 145; Zone II (Orissa, rest of Andhra Pradesh, south Mysore, Madras, Pondicherry and Kerala)—Rs 161; Zone III (Meerut, Muzaffarnagar and Bulandshahr districts of west UP, Punjab, Haryana, Rajasthan and Madhya Pradesh)—Rs 169.50; Zone IV (central and rest of west UP)—Rs 156; Zone V (east UP, Bihar and West Bengal)—Rs 158; and Assam—Rs 167.50. Price differentials for various grades of sugar higher or lower than ISS D-29 grade have also been prescribed.

SARU SILVER JUBILEE

The Saru Smelting and Refining Corporation of Meerut, virtual pioneers in the field of the non-ferrous metal industry in our country, celebrated their silver jubilee on December 9. The function which was held on this occasion was attended by the union Minister of State in the Ministry of Industrial Development, Mr K. V. Raghunath Reddy. The chairman of the corporation, Seth Shital Prasad, in his welcome address, traced the history of his firm, which from a humble start has grown into a giant enterprise. Seth Shital Prasad was proud to speak of the extensive use by his firm of the indigenous know-how. The Saru group of industries now produces a large variety of high quality products. The silver jubilee coincided with the inauguration of the firm's new plant for the manufacture of phosphor bronze wires and other wires of copper base alloys composition.

Readers' Roundtable

PL 480 INFLATION

Sir,— In answer to a question in the Lok Sabha, on November 30, 1967, the Deputy Prime Minister is reported to have reasserted the official thesis that PL 480 finance is non-inflationary. The papers from the Ministry of Finance and USAID, presented to the recent seminar in New Delhi on this subject, however, contain conclusive evidence in support of the opposite view that PL 480 finance is inflationary.

The core of the controversy, which the seminar discussions clarified, is whether budget receipts from PL 480 finance amount to simply the sale proceeds of PL 480 imports, or exceed this sum by the amount of PL 480 loans and grants. In the former case PL 480 disbursements would be balanced by PL 480 imports, and PL 480 finance would be, clearly, non-inflationary. In the latter case, PL 480 receipts and disbursements would exceed the sale proceeds of PL 480 foodgrains and PL 480 finance would be inflationary.

Drawing our data from the Explanatory Memorandum on the Central Budget for 1967-68 (pp. 64-65) and from the papers presented to the Seminar by the Ministry of Finance and USAID, we find that budget receipts from PL 480 finance, in 1967-68 are as under:

	(Crores of Rs)
(1) Receipts from special securities, representing PL 480 imports, which remained outstanding with the US embassy, as at the close of the year. ...	135.00
(2) Receipts from special securities, representing PL 480 imports, which were converted into PL 480 loans, during the year. ...	150.00
(3) Cheques received from the US embassy on account of PL 480 loans, during the year. ...	150.00
Total ...	435.00

The first and second of these three items of receipts, which are taken directly from budget statistics, are not in dispute. The third item of receipt, cheques for the US embassy on account of PL 480 loans, is really the bone of contention. That these cheques are received is not denied. With budgets in deficit, it will not be disputed, too, that the whole of PL 480 receipts pass into circulation. PL 480 imports in 1967-68 being placed at Rs 285 crores, total PL 480 budget expenditures of the year exceed the sale proceeds of PL 480 imports by Rs 150 crores, the amount of PL 480 loans. It follows that PL 480 finance is inflationary by the amount of PL 480 loans.

It is not necessary to proceed further before entering the conventional "quod erat demonstrandum" on this exercise. If official economists and technicians wish to object to this QED, the discussion should be on the third item of budget receipts, the first two items being non-controversial. To maintain their thesis that PL 480 finance is non-inflationary, they have to establish that these cheques are torn, burnt, or otherwise destroyed; and that they do not enter at all in budget receipts. And to maintain that drafts on Rs 744 crores of PL 480 rupees, now with the US embassy, are non-inflationary, they have to prove, in addition, that these rupees are not money, but a variant of monetary Maya. Obviously, to face these issues would be to admit the untenability of their thesis. Official economists and technicians have been, therefore, dodging the issues, taking shelter behind deceptive conundrums.

Since inflation is the biggest single problem before the Indian economy, and since inflationary pressures have emerged wholly from PL 480 finance, during the past three years, it is time that, instead of persistently denying facts, we took measures to freeze the PL 480 rupees piling up with the US embassy and arrange to get PL 480 foodgrains as a loan, like the Wheat Loan, 1951. If we continue to pay for these foodgrains in created moneys, PL 480 inflation is unavoidable. Since every financial transaction must have two willing partners, the responsibility for PL 480 inflation is not wholly unilateral. The reforms to correct this inflation call for joint action by the Governments of India and the USA.

Ahmedabad.

B. R. SHENOY

Company Affairs

KESORAM INDUSTRIES

THE DIRECTORS of Kesoram Industries and Cotton Mills Ltd have decided to make a bonus issue to the existing equity shares in the ratio of one-for-five. The company has obtained the government's consent for the same. The bonus shares will be issued to those equity shareholders who are registered as on January 29, 1968. Transfer books will be closed from January 23 to 29.

UNITED COMMERCIAL BANK

The United Commercial Bank, like other leading banks in the country, has entered the field of agricultural finance. The bank offers financial assistance to farmers for the purchase of seeds, fertilizers, pumps, electric motors, tractors and other agricultural implements. The bank advances up to 80 per cent of the cost of the pump or motor, the loan being repayable in 12 to 24 easy instalments. In the case of seeds and fertilizers, the bank would prefer to approach the firms directly so that the farmer may get his requirements quickly. To secure credit for the purchase of tractors, the farmer must have at least a farm of 25 acres of land. If he does not possess so much land, he may combine with four or five other farms to make a total of 25 acres. The bank's interest rates are substantially low and repayment terms easy. The bank accepts land, houses or other forms of estate as security. The farmer must furnish the bank with accurate data regarding his needs and maintain good records about production, wages, expenditure and sales. The bank has trained field officers to give guidance to the farmers in book-keeping. Moreover, the bank is an active participant in the agricultural refinance scheme which helps it to liberalize its assistance to the farmers.

HIND CYCLES

Hind Cycles Ltd has reported a gross profit of Rs 22.78 lakhs for the year ended September 30, 1967, against Rs 22.89 lakhs for the previous year with its sales amounting to Rs 26.21 lakhs and its income from rent to Rs 25 lakhs. Out of the profit, depreciation claims Rs 6.51 lakhs, taxation Rs 8.37 lakhs and development rebate reserve Rs 1.17 lakhs leaving a net profit of Rs 6.73 lakhs against Rs 11.62 lakhs last year.

The proposed equity dividend absorbs Rs 3.11 lakhs and preference dividend Rs 2.38 lakhs out of the surplus. After adjustments, the company has carried forward a deficit of Rs 4.16 lakhs against a loss of Rs 5.66 lakhs brought in. The report for the year states that the company exported 1,400 cycles during the year. Its exports are expected to increase this year too.

K.C.P. LTD.

The working of the KCP Ltd during the year ended June 30, 1967, has resulted in a gross profit of Rs 135.04 lakhs, the turnover declining to Rs 943.62 lakhs from Rs 958.68 lakhs last year. After providing Rs 60.04 lakhs for depreciation, Rs 5.38 lakhs for managing agents' remuneration, Rs 25 lakhs for development debate reserve and Rs 20 lakhs for taxation, the net profit works out lower at Rs 24.62 lakhs against Rs 41.98 lakhs last year. Expansion reserve gets Rs 7.13 lakhs. Last year a sum of Rs 32.17 lakhs was transferred to general reserve and Rs 1.15 lakhs to rehabilitation reserve. A sum of Rs 17.58 lakhs has been set apart to dividend reserve from which dividends will be paid.

The company crushed 363,000 tonnes of cane and produced 30.437 tonnes of sugar. Cement production was also lower at 171,000 tonnes as against 221,000 tonnes last year. Owing to recession, production of heavy machinery also moved down to Rs 159.5 lakhs from Rs 226.8 lakhs. This division has taken up the manufacture of cement plants for the Madras State Industrial Development Corporation and the Cement Corporation of India. The major portion of the expansion of the sugar factory was completed during the year and the rest is expected to be completed by the end of January 1968. The expansion of the central workshops is scheduled to be over by March, 1968.

J.K. CHEMICALS

JK Chemicals Ltd has proposed a maiden dividend of Rs 10 per share for the year ended June, 1967, the profit, subject to tax, having risen to Rs 20.98 lakhs from Rs 18.72 lakhs. The profit would have been higher had it not been for the rise in manufacturing costs. The directors feel that the working results for the current year could be expected to improve further.

Although there was a minor fall in production during the year, the sales rose by 7.3 per cent to Rs 2.16 crores as a result of better realisations. With the lesser availability of imported hydrosulphite of soda, the company expects to increase its share of the market during the current year. It has been making efforts at developing a process to produce zinc dust indigenously and has decided to establish a pilot plant for this purpose at an estimated outlay of Rs 15 lakhs. It is expected to be commissioned next month. Allocations include Rs 13.10 lakhs for development rebate reserve, Rs 7.89 lakhs for general reserve and Rs 24.88 lakhs for depreciation. No provision has been made for taxation in view of the large allocation for development rebate.

WEST COAST PAPER

West Coast Paper Mills Ltd proposes to increase its production capacity to 45,000 tonnes per year by installing balancing equipment, it is reported. The Industrial Finance Corporation of India has sanctioned a foreign exchange loan of Rs 91.79 lakhs, and negotiations for machinery are in progress.

The Andhra Pradesh Paper Mills Ltd, in which the company has acquired shares worth Rs 1 crore, has commissioned its plant with a capacity of 70 tonnes a day and it is hoped that the orders for balancing equipment to raise the capacity to 100 tonnes per day will be placed soon so as to commission the new capacity by the first quarter of 1969. The directors, however,

Eastern Economist 20 Years Ago

DECEMBER 19, 1947

At Calcutta, the Prime Minister, Pandit Nehru, made a few pertinent observations regarding the pattern of industrial policy. The occasion was the annual meeting of the Associated Chambers of Commerce, which in the heyday of British rule, provided an opportunity to the head of the British administration in India to take into confidence the European business interests in this country. Pandit Nehru made no important declaration of policy and it has been said that his address contained little that was new. Nor did he claim that all is already for the best in the best of all possible worlds—which was generally the keynote, when the Viceroy used to address the Chamber. The main objective of the economic policy of the Government, he asserted, is to secure the betterment of the masses and everything else will be subservient to it. So it is futile for foreign interests to expect any special privileges. Of course, in developing the country, the existing British and foreign interests will get sufficient scope for their activities and in the India of tomorrow, the prospect of working together with foreign business men will be quite good.

point out that the future growth of the industry will be severely affected if the government does not raise paper prices.

BARIUM CHEMICALS

The working of the Barium Chemicals Ltd, for the year ended June 30, 1967, has resulted in a loss of Rs 20.32 lakhs after providing Rs 11.62 lakhs for depreciation. The depreciation provided this year is inclusive of last year's depreciation too. The loss carried forward is Rs 23.16 lakhs. Sales amounted to Rs 12.65 lakhs. The company received Rs 57 lakhs from the defaulting collaborators in April, 1967. This has been credited to capital reserve account. The company has retained the services of a reputed firm of chemical engineers and consultants from London along with a local firm to rectify and modify the plant. This is expected to be completed by the end of this year and take the plant to about 80 per cent of the original capacity. The same consultants have also contracted with the company for the expansion of the production capacity to about 19,000 tonnes of barium salts and its by-products per annum, which is about three times the original contracted capacity of an estimated sale value of Rs 2.32 crores. The capital outlay on the expansion plans is about Rs 50 lakhs. The expansion is expected to be completed by the end of 1968. To ensure permanent and adequate supplies of raw materials, a rich barytes mining area has been secured.

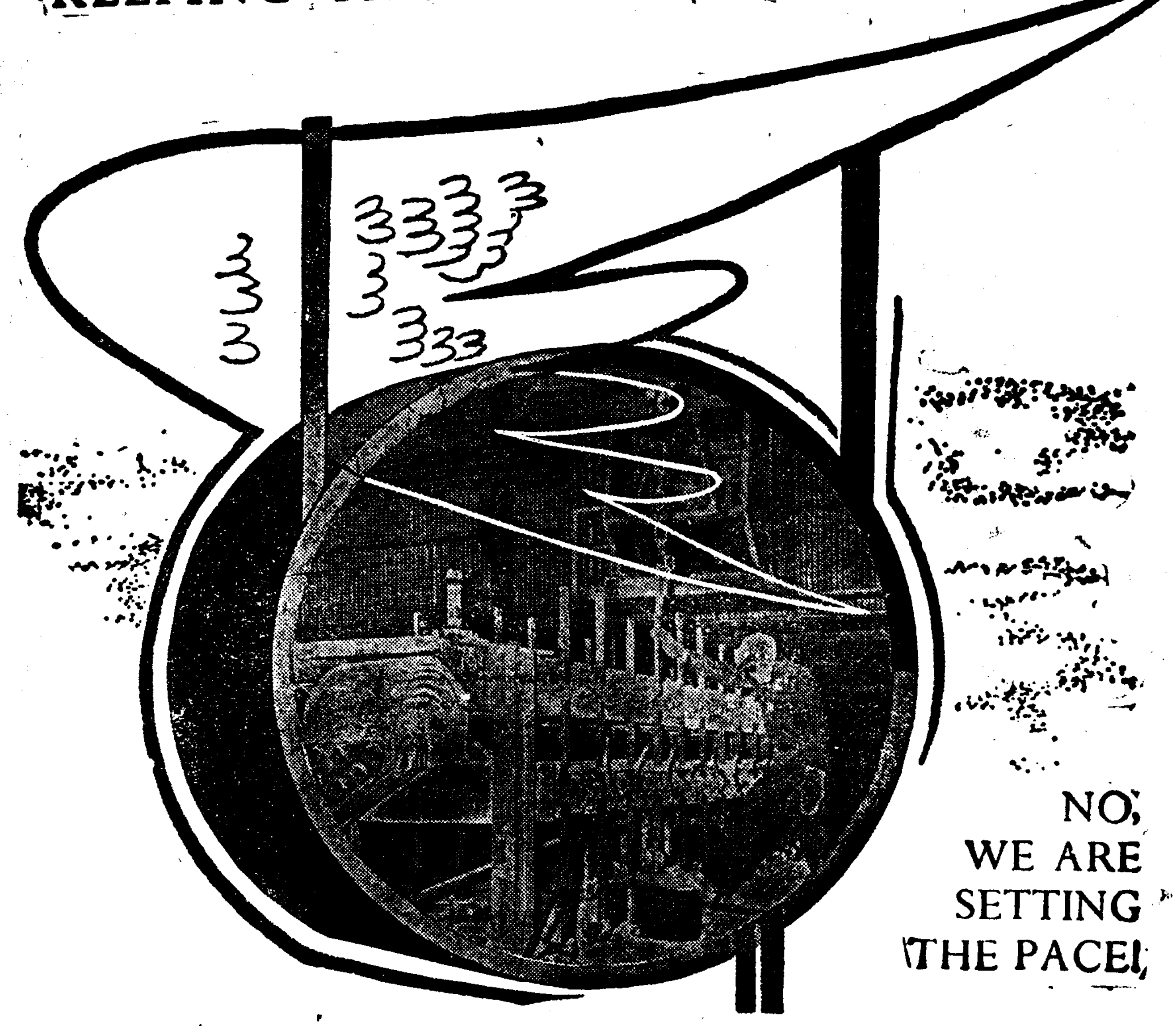
The company is sponsoring a project to manufacture 430,000 tonnes of urea per annum based on naphtha to be located at Visakhapatnam. It has also plans to expand further by manufacturing barium acetate and barium monohydrate, which have both internal and export demand.

STANDARD BATTERIES

The directors of the Standard Batteries Ltd have reported encouraging results for the year ended June 30, 1967. Sales have increased from Rs 2.45 crores to Rs 3.31 crores resulting in a higher gross profit of as much as Rs 51.92 lakhs compared with Rs 27.26 lakhs in the previous year. The ordinary dividend is Rs 12 a share, less tax, which is to be paid out of general reserve. After providing Rs 7.99 lakhs for depreciation, Rs 72,000 for development rebate reserve and Rs 28 lakhs for taxation, the net profit is Rs 15.21 lakhs against Rs 7.26 lakhs last year. During the year the company's production reached its full working capacity. The company is making every effort to reduce manufacturing costs. It has since completed its diversification programme. The demand for special type of battery operated electric trucks for material handling has been encouraging. During the year the company exported products worth Rs 11.90 lakhs. Export orders on hand amount to Rs 31 lakhs. The company's products have been well received in the export markets and its order books are full. To meet the Railway's demand for train lighting cells, which is likely to be doubled in the coming years, the company has decided to increase its manufacturing capacity for these cells. The company has since received the necessary import licence for the import of capital equipment and the ICICI has agreed to provide a foreign exchange loan of Rs 12 lakhs to import these machines.

SCINDIA STEAM NAVIGATION

Mr Dharamsey M. Khatau, Chairman of the Scindia Steam Navigation Co. Ltd, revealed at the annual general meeting held recently that the company recorded an increase in its gross earnings to Rs 27.49 crores during the year under review as against Rs 20.34 crores in the previous year. This improvement, however, was not reflected in the profits because of an increase in cost of operations. The profits during the year, therefore, stood around Rs 1.10 crores as against Rs 1.16 crores in the preceding year. The chairman added that the company made substantial losses on score of coastal trade and there would have been an extra one crore of rupees as profit if the company was allowed to get out of the coastal trade which is becoming unremunerative. Mr Khatau indicated that



it was Scindia Steam that encouraged the entry of Indian shipping on a liner basis in the India-USA trade and in fact extended its services between India and the Pacific Coast. Attempts were being made to restrict the company in this trade which, he added, would be resisted. He was hopeful that a satisfactory solution would be found to avoid such a move.

In the face of increasing operating costs the only possibility of improving the financial position of the company was by enlarging its field of activities. In the present circumstances the scope of expansion was there in tramp trade and tanker trade but for these the company has to buy new ships for which it requires assistance from the government. He stated that the efforts to persuade the government to make available funds for the purchase of new ships were not very successful.

INDABRATOR LTD

Indabrator Limited will enter the capital market on December 18 with a capital issue of Rs 3.65 lakhs made up of 36,454 equity shares of Rs 10 each for public subscription. The list will close on December 27 or earlier at the discretion of the directors but not before December 21, 1967. The entire public issue has been underwritten. The company has been promoted by New Standard Engineering Co. Ltd in collaboration with Wheelabrator Corporation of America and Tilghman Wheelabrator Ltd of the UK. The company proposes to manufacture and distribute shot blast equipment, compressed air type and centrifugal airless shot blast equipment, dust collectors, wet blasting equipment, their components and spare parts as also metallic and non-metallic abrasives, and abrasives media. The company's plant is located in Goregaon near Bombay on a four-acre site obtained on lease from NSE. The factory is situated on the western express highway on the east. The close proximity of NSE complete with modern foundry machine shop and structural shop, will be of considerable advantage to the company.

CAPITAL AND BONUS ISSUES

Consent has been accorded to seven companies to raise capital amounting to more than Rs 2.86 crores. Six of them are to issue bonus shares exceeding Rs 1.61 crores. The amount of bonus shares ranges between Rs 4,37,500 and Rs 60 lakhs. The consents are valid for 12 months.

Great Eastern Shipping Co. Ltd, Bombay, has been accorded consent to capitalize Rs 60 lakhs out of general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Kesoram Industries and Cotton Mills Ltd, Calcutta, has been given consent to capitalize Rs 50 lakhs out of general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for five held.

Nirlon Synthetic Fibres and Chemicals Ltd, Bombay, has been granted consent for the capitalization of general reserve of the company to the extent of Rs 21 lakhs and for the issue of bonus shares of Rs 100 each in the ratio of one for ten held.

Southern Roadways Private Ltd, Madurai, is permitted to capitalize Rs 20,70,200 out of general reserve and issue 20,702 bonus shares of Rs 100 each in the ratio of one for five held.

United Industries (Cochin) Ltd, Cochin, is allowed to capitalize Rs 5 lakhs out of free reserve and issue 25,000 bonus shares of Rs 20 each in the ratio of one for one held.

Sitalakshmi Mills Ltd, Madurai, has been accorded consent for the capitalization of general reserve of the company to the extent of Rs 4,37,500 and for the issue of 8,750 bonus shares of Rs 50 each in the ratio of one for two held.

Larsen and Toubro Ltd, Bombay, is permitted to issue Rs 1.25 crores in 7.75 per cent redeemable (1977-79) mortgage debentures of Rs 1,000 each, for cash at par. The proceeds will be utilized as working capital.

COMPANY MEETING

The Scindia Steam Navigation Company Limited

Speech of the Chairman, Shri Dharamsey M. Khatau

Following is the summary of the Statement of Shri Dharamsey M. Khatau, Chairman, The Scindia Steam Navigation Company Limited, made at the 48th Annual General Meeting of the Shareholders on Wednesday, the 13th December, 1967, at Patkar Hall, Bombay-1.

I referred last year to the difficult economic situation. The foreign exchange situation remains critical in spite of substantial devaluation of the rupee. Our foreign trade has diminished. The unit value of Indian exports has come down. Shipping has inevitably been affected by these developments. I sincerely hope that with a good crop there will be a marked improvement in the situation.

At the outset I would like to refer to the results of the year in the context of the company's overall activities. Gross earnings of the company increased to Rs 27.49 crores against Rs 20.34 crores in the last year. The profits, however, are Rs 1.1 crores against Rs 1.16 crores last year. While freight revenue in rupees has risen, costs have also increased.

There is an immediate as well as a larger long term context to the company's results. We have been pioneers in practically every Indian shipping activity. But pioneering imposes its own penalties. We were the first to enter the Coastal Trade. In this trade we have neither been allowed economic freight rates nor allowed to get out of the trade. In the current year the company could have shown an extra one crore as profit but for the loss in Coastal Trade. Other shipping companies have not been deeply involved in the Coastal Trade and its losses.

On more than one occasion before Independence we came to the rescue of Indian shipping companies which were being driven to the wall. We, thus, acquired the Indian Co-operative, Ratnakar Steam Navigation and last but not the least, Bombay Steam Navigation. The Bombay Steam had several activities; the Workshop, the Konkan Service and Passenger Services on West Coast of India. We sustained heavy losses in Konkan Services before we closed down last year. This year because of the heavy compensation in addition to the losses sustained will mean a loss of about Rs 40 lakhs. Similarly the Workshop too may not continue to be profitable in view of the reduction in the number of Coastal and Passenger ships. As diversification of its activities, however, we have secured an order for manufacture of MacGregor Hatch-Covers of Rs 9 lakhs.

It was the private sector which ensured participation of Indian shipping in the UK/Continental Liner Service. Later Government intervened to secure a share for the Shipping Corporation of India by which, while our share remains the same, that of the Corporation goes on increasing.

We initiated India/USA trade on a Liner basis. We extended our efforts to the Pacific Coast also. I referred last year to the attempts made to restrict us in this trade. I am glad to report that a satisfactory solution is likely to be reached. Since we are precluded from participation in the trade between India/Japan and India/Australia, the scope for increased Liner operation is limited. We must therefore have efficient service for which we must renovate the fleet. Here again Government policy regarding financial assistance for purchase of ships has made conditions difficult.

Even if we succeed in overcoming these difficulties it is essential for us to expand our activities. Our operating costs and overheads continue to rise. To meet these ever-increasing costs we must earn more and we can do so only if we enlarge our activities. There is little scope left in Liner trade. We can only look to the tramp trade and to the tanker trade. We have not succeeded in entering the tanker trade. Unless the Government of India changes its present policy of studied indifference, we cannot raise resources to enter the tramp trade. Government must be aware that no shipping company can purchase ships at present prices with its own resources. The public sector in shipping is partly able to do so by retention of earnings not distributed as dividends. We therefore continue the effort of persuading the Government to take an understanding approach to the problem which faces all private sector Indian shipping companies so that they may play a proper part in the development of Indian shipping.

Our administrative expenses show a steady increase. Our company has so far not attempted economy by reducing benefits already extended to our staff. The burden of these benefits is now becoming almost intolerable. The link of Dearness Allowance with the steadily rising cost of living index has led to an employee drawing a salary of Rs 200/- getting Rs 500/- as Dearness Allowance per month. Since prices show no signs of diminishing, Dearness Allowance may go beyond these figures. It will be impossible for us to sustain this situation for long and we can only hope that Government will be able in the very near future to reverse the trend.

There is limited scope for reduction in the number of staff. When the Konkan Services were closed we attempted some measure of retrenchment. A small number was reduced but it cost the company over Rs 11 lakhs in retrenchment compensation. I have mentioned these figures to clarify the position and with no other immediate intention.

Operating costs rise for a number of reasons. Delays at ports is one of the major reasons. I consider it my duty to urge upon our Government to do whatever lies in its power to reduce the period of delay at Indian ports.

All ships which are under construction have been delivered during the year. There is at present no ship under construction. I have already indicated the difficulties in acquisition of more vessels.

With the closure of Konkan Services the activities of the Bombay Steam Navigation Co. (1953) Ltd, have been confined to chartering only. The suit filed by the company for recovery of compensation from the State and Central Governments has not yet come up for hearing.

To all our patrons, shippers and consignees both in India and abroad, I extend our sincere thanks for their valuable support. I would also like to pay a tribute on your behalf and on my own to the Management and to employees both ashore and afloat and to the Agents of the company at various ports, for their devotion to duty without which the company would not have been able to maintain its position.

I also take this opportunity to thank the officials of the Directorate General of Shipping and the officials of the Transport Ministry particularly the Shipping Co-ordination Committee and the Chartering Committee for their active support and assistance.

RECORDS AND STATISTICS

Kennedy Round Tariff Reductions

AT THE 24th session of the General Agreement on Tariffs and Trade (GATT) held recently at Geneva, it was made known that the Nordic countries, the USA and Japan had agreed to advance implementation of the Kennedy Round tariff reductions in respect of some products of particular interest to India. These tariff concessions will come into effect from January 1, 1968, and are likely to benefit Indian exports of jute goods, hides and skins, tea etc.

Reproduced below is a review of the work of the contracting parties to the GATT through the last two decades, conclusions on their future work programme and the lists of tariff reductions agreed to by Norway, Sweden, Denmark, Finland, the USA and Japan:—

During the twenty-fourth session, the contracting parties to the General Agreement on Tariffs and Trade (GATT) reviewed their work of the past twenty years and reached certain conclusions on their future work programme. Many contracting parties were represented by ministers during the concluding days of the session.

The contracting parties reaffirmed their confidence in the General Agreement as the contractual basis for their trading relationships and their determination to continue to co-operate in the trade field within the framework of the Agreement.

The contracting parties' discussion focussed essentially on the GATT programme for expansion of international trade. This programme was inaugurated at a meeting of ministers in 1958 and covered tariff reduction, trade in agricultural products and the trade problems of developing countries. It has provided, and continues to provide, the broad basis and impetus for the activities of the contracting parties in these three fields.

The contracting parties put particular stress on the progress made over the past 20 years towards the attainment of the objectives of the GATT and the outstanding contribution that the General Agreement had made to the expansion of world trade and to international co-operation in the trade field generally. They welcomed in particular the substantial results of the Kennedy Round of trade negotiations which had been the most comprehensive and, in general, the most successful ever undertaken.

Significant Progress

The contracting parties recognised that significant progress had been made in the field of agricultural trade. Nonetheless they recognized that problems remained and there were some sectors, of particular importance to contracting parties relying heavily on exports of agricultural products, in which progress achieved under the General Agreement had not matched that achieved in relation to industrial trade generally. The contracting parties reaffirmed, in the context of the further pursuit of the objectives of the General Agreement, their determination to pursue solutions to the problems in the agricultural field.

The contracting parties recognized the pioneering work in the field of the trade problems of the developing countries that had been done by the contracting parties and welcomed the progressively increasing attention being paid by them to these problems. They further took note of the adoption of Part IV of the Agreement. However, the results of the earlier efforts and the Kennedy Round had left many of the trade problems of most developing countries unresolved. They agreed that a maximum effort was needed in the GATT, and elsewhere, directed towards the expansion of the export earnings of the developing countries and thus towards the early resolution of their problems.

The contracting parties agreed that an essential first task was to secure the full implementation of all the results agreed upon in the Kennedy Round. However, they considered it understandable that such a far-reaching reduction of barriers as had been achieved in the Kennedy Round could create problems in some cases. In their view the appropriate way to deal with any such difficulties would be through internal measures of adjustment and not through the creation of new obstacles to international trade. Where problems arose, the established GATT consultation procedures were available to facilitate constructive co-operation between countries. It was recognized that any significant trade restrictive measures would be likely to spread, particularly if introduced by one or more major trading countries. This, in turn, would threaten to undo what has been achieved in the field of trade liberalization and jeopardize future progress.

The contracting parties welcomed the accession of Poland to the General Agreement and the participation of observers from Bulgaria, Hungary and Rumania in the work of the contracting parties. They agreed that the contracting parties' approach to the question of trade relations with countries with centrally-planned economies should continue to be on a pragmatic, country-by-country basis.

Positive Measures Needed

The contracting parties reaffirmed that the liberalization of world trade by means of negotiations remains the primary objective of the General Agreement, but noted that, in the light of the recent conclusion of the Kennedy Round, no new major initiatives for a multilateral and comprehensive move forward could reasonably be expected in the near future. Whilst in the light of the foregoing, work undertaken at this time would be without commitment on the part of governments both as to its outcome and in particular as to any future negotiations, the contracting parties recognized that it was important to proceed to prepare for further advances, with full regard to the objectives and provisions of the General Agreement, within the Programme for Expansion of International Trade. Further, the contracting parties agreed that there was urgent need for additional positive measures for the expansion of trade and improvement of the trade position of developing countries.

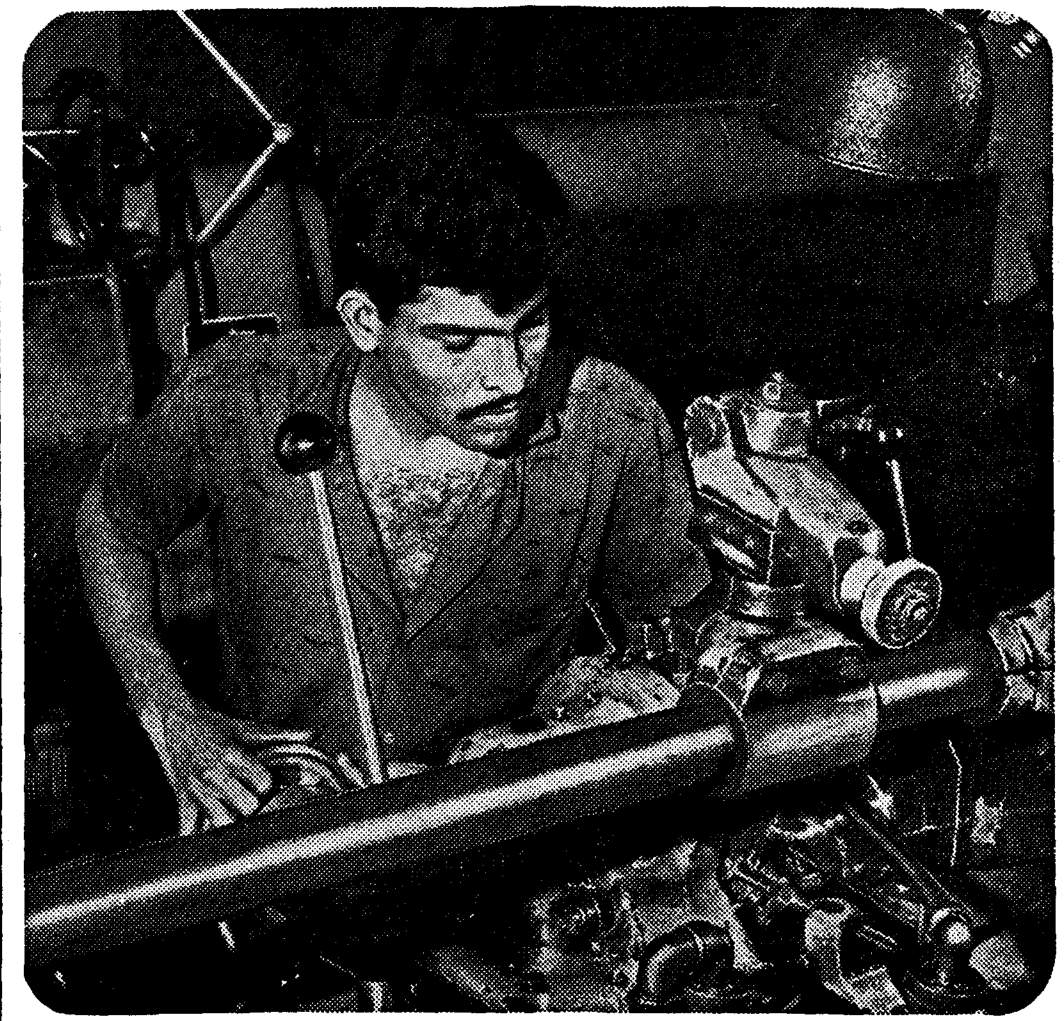
Against this background the contracting parties agreed to undertake the following co-ordinated programme of work under the three main headings of the Programme for Expansion of International Trade. They authorized the Council to supervise all aspects of the Programme.

A. **Industrial Products**

(a) A Committee on Trade in Industrial Products is instituted to explore the opportunities for making progress toward further liberalization of trade, taking into account the discussion on the subject at the twenty-fourth session.

(b) An objective analysis will be made of the tariff situation as it will be when all Kennedy Round concessions have been fully implemented. The secretariat will prepare documentation, in consultation with contracting parties, to serve as a basis for this analysis.

(c) An inventory of non-tariff and para-tariff barriers affecting international trade will be drawn up. Contracting parties should, accordingly, notify the secretariat by April 30, 1968 of the non-tariff barriers, both governmental and non-governmental, which they wish to be included in the inventory. The secretariat will consolidate the notifications received and transmit these to the committee by May 30, 1968 for analysis. On



the basis of the report of the committee, the council is instructed to establish appropriate machinery to deal with the problems identified in the inventory.

B. **Agriculture**

The contracting parties agreed to establish an Agricultural Committee to examine the problems in the agricultural sector, and to explore the opportunities for making progress in the attainment of the objectives of the General Agreement in the agricultural field. The examination would cover all agricultural products important in international trade.

This examination should prepare the way for subsequent consideration of positive solutions which could be mutually accepted by all contracting parties concerned. It would bear on all relevant elements of agricultural trade and production policies; all contracting parties which have a significant influence on the situation of the markets of the products concerned shall participate in this examination.

The Committee shall meet early in 1968 to decide on the programme for the implementation of its terms of reference.

The contracting parties also agreed that in certain cases problems arise which should be given immediate attention. It was agreed that GATT procedures, including those under Article XXII, provide an appropriate context for discussions of such problems and that the discussions should be conducted not in a spirit of confrontation, but as a means of arriving at mutually acceptable solutions. The discussions should take into account any relevant conclusions reached in the examinations being undertaken in the Agricultural Committee. Similarly, the Agricultural Committee should take into account the results of these discussions.

It was further agreed that in respect of some products it was necessary to initiate such discussions immediately.

C. **Conclusions relating to the trade of developing countries**

(a) **Advance implementation of the Kennedy Round reductions**

The contracting parties took note of the notifications made by a number of developed countries of tariff concessions made by them in the Kennedy Round on products of interest to developing countries which would be implemented without phasing. The contracting parties urged all developed contracting parties to take the broadest possible action in this connection, having regard however to the effect of such action on the interests of developing countries at present benefiting from preferences.

(b) **Tropical products**

The contracting parties agreed to reactivate the special Group on Tropical Products with the following terms of reference:

"to examine problems affecting trade in tropical products, and to report on ways and means of overcoming those problems.

"the contracting parties agreed that the Special Group should also, among other problems, study the incidence of internal charges and revenue duties on tropical products."

(c) **Import restrictions**

The contracting parties agreed that, inter alia, panels of governmental experts may be established to examine problems relating to the quantitative restrictions maintained by developed contracting parties on industrial products of particular interest to developing countries with a view to an early removal of these restrictions.

(d) **Tariff classification**

The contracting parties urged the developed countries to give early and sympathetic consideration to requests already made, or that may be made, by developing countries for the separate identification in their tariff classification of products for which these countries are seeking, or may be seeking, further tariff concessions or duty-free entry.

(e) **Expansion of trade among developing countries**

The contracting parties noted with satisfaction the initiative taken by developing countries to explore, in the light of their obligations at regional and sub-regional levels and evolving international commercial policies, the possibilities of an exchange of tariff and trade concessions directed towards the expansion of their mutual trade. They noted that a Trade Negotiations Committee of developing countries had been set up to establish a basis for such negotiations, that the contracting parties would be kept informed of progress and that, in due course, the results would be brought to them for their consideration, as necessary.

(f) **Preferences to be granted by developed countries to developing countries**

The contracting parties noted that since they first agreed, at their ministerial level meeting in May 1963, to the study of proposals for the granting of preferences by developed countries to developing countries as a whole, considerable progress had been made in the examination of the issues of trade policy involved in the granting of special tariff treatment for exports of developing countries and of the broad principles on which such treatment might be based. They noted that one contracting party had put into effect a system of preferences for developing countries. They also noted that active consultations were being held among a number of interested developed countries with a view to formulating broad principles and guidelines for the institution of a general scheme of special tariff treatment for developing countries for discussion at the next UNCTAD. They further noted in this connection that discussions on this subject had also taken place among developing countries. The contracting parties expressed the hope that the discussions in the UNCTAD would have a constructive outcome.

(g) **Consultations with developing countries**

The contracting parties agreed that the consultations on the balance of payments and other trade and development problems of developing countries provided for in the General Agreement should give particular attention to the possibilities for alleviating and correcting these problems through measures contracting parties might take to facilitate an expansion of the export earnings of these countries. In carrying out these activities the contracting parties should take due account of the work done in the UNCTAD and other international organisations.

(h) **Problems relating to cotton textiles**

The contracting parties invited the importing countries, participants in the Cotton Textiles Committee in advance of its next meeting to report to the Cotton Textiles Committee in advance of its next meeting the steps taken by them to facilitate adjustments in their domestic industry during the period of special protection provided by the Cotton Textiles Arrangement.

(i) **Problems relating to other products**

The contracting parties agreed to give, with a view to find-

ing solutions as early as may be practicable, special attention to the trade problems of the developing countries, including the possibility of eliminating duties on products made by hand and other labour-intensive products of cottage industries and the possibility of eliminating or reducing duties on products of interest to developing countries.

(j) **Exploitation of new trade opportunities for developing countries.**

The contracting parties instructed the International Trade Centre to give special attention in its work programme to assisting developing countries to take advantage of the new market opportunities opened up by tariff concessions granted in the Kennedy Round.

(k) **Other action relating to tariffs.**

The contracting parties agreed that the studies referred to in paragraph 8 of the third report of the Committee on Trade and Development (L/2912) would be made and forwarded to the Committee on Trade in Industrial Products to be taken into account in the tariff analysis referred to in paragraph A(b) above.

ADVANCE IMPLEMENTATION OF KENNEDY ROUND TARIFF REDUCTIONS ON PRODUCTS OF EXPORT INTEREST OF INDIA

I. NORWAY

Tariff Item No. (1)	Description of Product (2)	Base Rate (Kr./Kg.) (3)	Concession Rate (4)
05.04	Guts, bladders and stomachs of animals (other than fish) whole and pieces thereof.	0.45—4.50	Free
08.01	Bananas, fresh or dried	0.05 + 33⅓% (surtax)	Free
	Pineapples	0.50	Free
	Coconuts, Brazilnuts, Cashewnuts	0.40	Free
09.01	Coffee, green (raw)	0.20	Free
09.02	Tea	2.00	Free
09.04	Cayenne Pepper (Unground)	8.00	Free
	Other Pepper (Unground)	4.50	Free
09.06	Cinnamon & cinnamon-tree flowers	1.70	Free
09.08	Cardamoms	4.00	Free
09.10	Ginger, ground.	0.85	Free
	Ginger, other.	0.50	Free
	Curry.	8.00	Free
	Celery seeds.	1.00	Free
ex 12.01	Groundnuts.	0.20	Free
ex 15.07	Cashew shell liquid	0.16	Free
21.02	Instant tea.	30%	Free
24 01	Tobacco leaf, stemmed.	4.95	Free
	Tobacco leaf, unstemmed;) Tobacco unmanufactured.)	4.50	Free
33.01	Lemongrass oil;) Palmarose oil;) Sandalwood oil; and) vetiver oil.)	8.00	Free
ex 41.02) ex 41.03) ex 41.04) ex 41.05)	Skins having undergone processes prior to tanning imported by tanneries for subsequent tanning.	1.20 to 3.00	Free
50.02	Raw silk (not thrown).	5%	Free
53.01	Sheep's or lambs' wool, not carded or combed.	0.40	Free
53.05	Waste of sheep's or lambs' wool or of other animal hair (fine or coarse), carded or combed.	0.40	Free
57.01	True hemp ("cannabis sativa") raw or processed but not spun tow and waste of true hemp (including pulled or garnetted rags or ropes): A. Oakum.	0.25	Free
57.03	Jute, raw or processed but not spun; tow and waste of jute (including pulled or garnetted rags or ropes): A. Oakum.	0.25	Free
57.10	Woven fabrics of jute	8%	Free
58.05	Narrow woven fabrics, and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No. 58.06 (except containing silk or continuous man-made fibres):		
	B. Narrow woven fabrics of jute	18%	Free
62.04	B. 2. Tarpaulins of jute	16%/20% but not less than 2.40	Free

II. SWEDEN

Tariff Item No. (1)	Description of Product (2)	Base Rate (Kr./100 Kg.) (3)	Concession Rate (4)
ex 05.03	Horsehair etc., other than unworked horsehair and waste	20	10
ex 15.07	Linseed oil, not bleached	7	Free
ex 20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit: Other than pulp: Cashewnuts.	30	Free
ex 41.02	Bovine cattle leather, etc.: Pre-tanned, intended exclusively for further tanning.	Free; 7%	Free
ex 41.03	Sheep and lamb skin leather, etc.: Pre-tanned, intended exclusively for further tanning.	Free; 7%	Free
ex 41.04	Goat and kid skin leather, etc.: Pre-tanned, intended exclusively for further tanning.	Free; 7%	Free
ex 41.05	Other kinds of leather, etc.: Pre-tanned, intended exclusively for further tanning.	Free; 7%	Free
ex 50.09	Woven fabrics of silk or of waste silk other than noil: Fabrics containing 100% silk	10%	5%
50.10	Woven fabrics of noil silk	18%; 25%	9%
ex 57.10	Woven fabrics of jute: Of a width not exceeding 150 centimetres and weighing 310 grs. or more per square metre.	11%; 15%	8%
58.01	Carpets, carpeting and rugs, knotted (made up or not)	250-600	Free
58.02	Other carpets, carpeting, rugs, mats and matting, and "Kelem", "Schumacks" and "Karamanie" rugs and the like (made up or not) Of coir, not containing other textiles fibres.	7%	Free
	Others	12%; 15%	12%

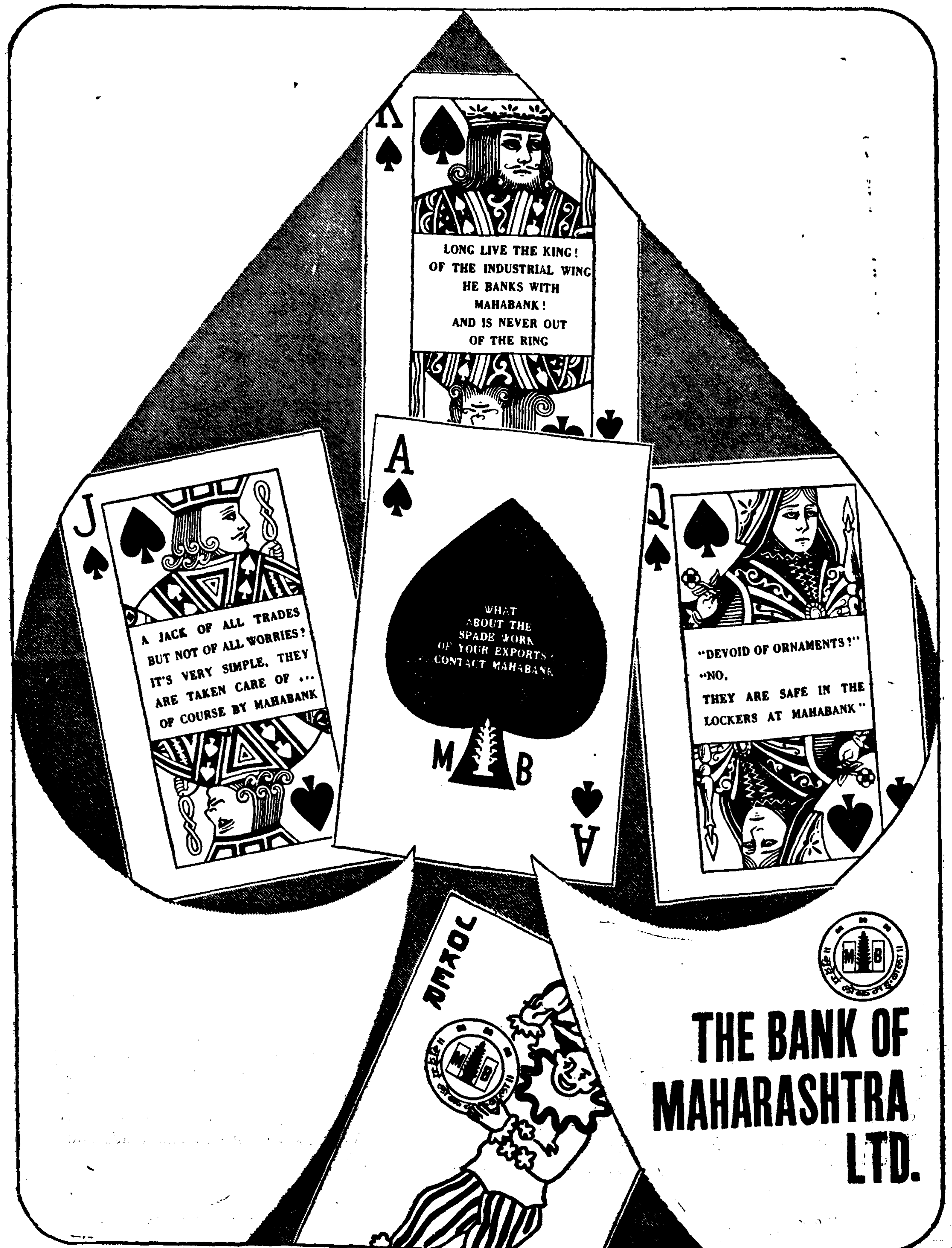
(1)	(2)	(3)	(4)
ex 58.05	Narrow woven fabrics, etc.: Other than narrow woven pile fabrics and chenille fabrics: Of jute.	14%	8%
ex 62.03	Sacks and bags, of a kind used for the packing of goods : Not showing signs of appreciable wear: Made of woven fabrics of jute, weighing 310 grs. or more per square metre.	15%	8%
67.02	Artificial flowers, etc.	15%	7.5%
ex 83.11	Bells and gongs, etc., other than bicycle bells and parts thereof.	5%	2.5%
ex 95.03	Worked ivory and articles of ivory, other than plates, etc. for subsequent working.	10%	5%
ex 98.11	Cigar and cigarette holders, other than of meerschaum or of amber.	10%; 15%	5%

III. DENMARK

Tariff Item No.	Description of Product	Base Rate	Concession Rate
08.01 A	Bananas	5	Free
08.01 B	Pineapples	12%	Free
09.04 A	Pepper and pimento, put up for retail sale.	10%	5%
09.06 A	Cinnamon and cinnamon-tree flowers, put up for retail sale	10%	5%
10.06 B	Rice, except rice in the husk, husked rice and broken rice.	10%	5%
18.03	Cocoa paste (in bulk or in block). whether or not defatted per kg.	20 ore	Free
18.05	Cocoa powder, unsweetened per kg.	22 ore	Free
20.01 A	Chutney	18%	10%
21.02 A	Extracts, essences or concentrates of tea.	10%	Free
41.02 A	Bovine cattle hides (including buffalo hides) having undergone processes prior to tanning, imported by tanneries for subsequent tanning.	10%	Free

IV. FINLAND

Tariff Item No. (1)	Description of product (2)	Base rate (Marks/Kg.) (3)	Concession rate (4)
08 01			
300	Pineapples	0.65 0.32	0.32
400	Mangoes, mangosteens, avacados and guavas	0.90	Free
601	coconuts	1.50	Free
701	Brazil nuts	0.90	Free
709	Brazil nut kernels	1.50	Free
ex800	cashew nuts	0.90	Free
ex800	cashew nut kernels	1.50	Free
09.01	coffee, not roasted :		
101	the price of which is not more than Fmk 4.10 per kg. c.i.f. Helsinki	2.75	0.80
109	other	4.00	1.15
200	coffee. roasted	2.90	1.85
300	coffee substitutes containing coffee.	2.90	1.85
400	coffee husks and skins	1.35	0.85
09.02	Tea :		
100	put up for retail sale	1.50	Free
900	other	1.50	Free
09.04			
ex200	white and black pepper (ground : p.)	0.83	Free
ex200	pimento (ground : p.)	1.65	Free
900	other	0.83	Free
09.05	Vanilla	11.81	Free
09 06	Cinnamon and cinnamon-tree flowers (ground : p.)	1.65	Free
09.07	Cloves (whole fruit, cloves and stems)	1.66	Free
09.08 100	nutmeg and mace	5.00	Free
200	cardamoms (ground : p.)	7.50	Free
09.10			
300	ginger (ground : p.)	1.65	Free
ex909	curry (ground : p.)	4.80	Free
ex909	celory seeds, ground	4.80	Free
ex21.02	extracts, essences or concentrates, of coffee; preparations with a basis of those extracts, essences or concentrates.	7.00	4.50
ex 21.02	instant tea	12.00	Free
ex 21.02	other	12.00	4.50
41.03	Sheep and lamb skin leather, except leather falling within heading No. 41.06, 41.07 or 41.08:		
ex 41.03	pre-tanned skins for further tanning.	18-25%	Free
41.04	Goat and kid skin leather except leather falling within heading No. 41.06, 41.07 or 41.08 :		
ex 41.04	pre-tanned skins for further tanning.	18-20%	Free
41.05	Other kinds of leather, except leather falling within heading Nos. 41.06, 41.07 or 41.08:		
ex 41.05	pre-tanned skins for further tanning.	14-25%	Free
57.10	Woven fabrics of jute: (other than fabrics for use in industry for the manufacture of conveyor belts and belting or machinery joints. weighing more than 300 g/m2):		
001	unbleached, undyed and unsized, containing in a surface of 2 sq. cm. not more than 17 warp and weft threads, counted together	40%	25%
	min. duty p. 1 k	0.50	0.40
009	other	40%	25%
58.05	Narrow woven fabrics, and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No. 58.06 :		
008	webbing		
ex 008	of jute	35%	25%
62.04	min. duty p. 1 kg.	0.50	0.40
ex 900	tarpaulins of jute	40%	25%



V. UNITED STATES

TSUS	Description	Current rate	Concession rate
145.14	Brazil nuts, not shelled.	0.375c per lb.	Free
145.16	Cashews, not shelled.	0.7c per lb.	Free
145.42	Brazil nuts, shelled	1.125c per lb.	Free
145.44	Cashews, shelled	0.7c per lb.	Free
175.24	Kapok seed	1c per lb.	Free
188.36	Gum arabic	0.5c per lb.	Free
202.32	Balsa, rough	*$3 per 1,000 board ft.	Free
202.35	Hardwood, rough	*2.5%	Free
202.44	Hardwood, rough	*$1.50 per 1,000 board ft.	Free
222.15	Split bamboo	0.625c per lb.	Free
452.22	Patchouli oil	6.25% ad val.	Free
452.64	Sandalwood oil	8% ad val.	Free
452.68	Vetivert oil	3% ad val.	Free
607.25	Ferro-nickel	1.25c per lb.	Free

* Rate temporarily suspended until 31st December, 1967.

VI. JAPAN

Tariff Item No. (1)	Description of Product (2)	Base Rate (3)	Concession Rate (4)
ex 01.06	Other live animals		
	5. Other	10%	Free
ex 09.01	Coffee, whether or not roasted or freed of caffeine; coffee husks and skins; coffee substitutes containing coffee in any proportion:		
	1. Coffee:		
	(1) Coffee beans, unroasted	30%	Free
	2. Coffee husks and skins	5%	Free
ex 09.02	Tea:		
	1 Black tea:		
	(2) Waste, excluding those fit for beverage	5%	Free
	2. Other:		
	(1) Waste, excluding those fit for beverage	5%	Free
09.03	Mate	35%	20%
ex 09.04	Pepper of the genus "Piper"; of the genus "Capsicum" or the genus "Pimenta";		
	2. Other:		
	(1) Unground and unmixed:		
	B. Other:		
	Pepper seeds	20%	Free
	Other	5%	Free
ex 12.01	Oilseeds and oleaginous fruit, whole or broken:		
	ex 2. Groundnuts:		
	For oil extraction	20% or 14 yen/kg., (w.i.g.)	Free
	Note: The imports under this item are to be used as materials for oil extraction under the supervision of the customs.		
ex 15.16	1. Carnauba wax	10%	5%
ex 41.03	Sheep and lamb skin leather.		
	2. Other	15%	7.5%
ex 41.04	Goat and kid skin leather.		
	2. Other	15%	7.5%
ex 41.05	Other kind of leather.		
	2. Of alligator or crocodile and of lizard	25%	12.5%
	3. Other	15%	7.5%
ex 44.03 ex 44.04 ex 44.05	Wood of Kwarin, Tsuge or box-wood, red sandalwood, rosewood or ebony wood	20%	Free
57.07	Yarn of other vegetable textile fibres	7.5%	3.75%
ex 58.02	Other carpets, carpetting, rugs, mats and matting of coir	30%	15%
ex 85.06	Electric fans.	15%	7.5%

LIST OF TROPICAL PRODUCTS ON WHICH CONCESSIONS HAVE ALREADY BEEN PUT INTO EFFECT

I. SWEDEN

Tariff Item No. (1)	Description of Product (2)	Base Rate (Kr./100 Kgs.) (3)	Concession Rate (4)
08.01	Dates, bananas, coconuts.	10-30	Free
	Brazil nuts, cashewnuts, pineapples, evocados, guavas, mangoes and mangosteens (fresh or dried, shelled or not)	10-30	Free
09.01	Unroasted coffee	45 + 35 (spl. tax)	20
	Roasted coffee	60 + 45 (spl. tax)	25
	Coffee substitutes containing coffee.	60	25
09.02	Tea	100	Free
09.04	Pepper of the genus piper; pimento of the genus capsicum or the genus pimento.	50	Free
09.05	Vanilla	700	Free
09.06	Cinnamon and cinnamon-tree flowers.	50	Free
09.07	Cloves	30	Free
09.08	Nutmeg, mace and cardamoms	100-150	Free
09.10	Other spices (ginger, curry)	0-600	Free
13.02	Lacs, gums, etc.	Free	Free
14.02	Vegetables materials for stuffing and padding.	7	Free
21.02	Extracts, essences or concentrates, of coffee, tea or mate, preparations on a basis of those extracts, essences or concentrates.	10%	Free

II. DENMARK

Tariff Item No.	Description of Product	Base Rate	Concession Rate
ex 15.07	Tobacco seed oil, babassu oil and cashew sheel liquid:		
	1. Crude	8%	Free
	2. Other	12%	Free
20.06	Cashew nuts, roasted and salted, in tins.	27%	Free
ex 41.05	Skins having undergone processes prior to tanning, imported by tanneries for subsequent tanning.	10%	Free
57.10	Other woven fabrics of jute.	3%	Free
58.05	Narrow woven fabrics of jute.	5%	Free

COMPANY NOTICE

UPPER GANGES SUGAR MILLS LTD.

NOTICE

NOTICE is hereby given that the Thirty-fifth Annual General Meeting of Upper Ganges Sugar Mills Ltd. will be held on Monday, the 8th January, 1968 at 2-15 P.M. at 15, India Exchange Place, Calcutta, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1967.
2. To declare dividends.
3. To elect a Director in place of Shri B. T. Thakur, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:—

"Resolved that apart from the transactions of loans exempted under the provisions of Section 370 of the Companies Act, 1956, the Company be and is hereby authorised to make any loan to any other body corporate up to 30% of the Company's subscribed capital and free reserves in case of bodies corporate not under the same management and 20% of the Company's subscribed capital and free reserves in case of bodies corporate under the same management".

By Order of the Board.
S. N. GUPTA
Secretary.

14, Radha Bazar Lane, Calcutta,
the 4th December, 1967.

Notes: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of Members of the company will remain closed from the 2nd January, 1968 to the 8th January, 1968 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 8th January, 1968 or to their mandatees on or after the 31st January, 1968.

Explanatory statement has been forwarded to the shareholders.

COMPANY NOTICES

GOBIND SUGAR MILLS LIMITED

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of Gobind Sugar Mills Limited will be held on Wednesday, the 10th January, 1968 at 2-30 P.M. at 15, India Exchange Place, Calcutta for the following purposes:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the company for the year ended 30th June, 1967.
2. To declare dividends.
3. (a) To elect a Director in place of Shri H. P. Barat who retires by rotation and being eligible offers himself for re-election.

   (b) To elect a Director in place of Shri S. G. Nevatia, who retires by rotation and being eligible offers himself for re-election.

   Shri S. G. Nevatia is a Director and an associate of Messrs. Birla Bombay Private Ltd, the Managing Agents of the company. He has vast experience in the management of sugar mills and it will be in the interest of the company to re-elect him on the Board to continue to avail of his valuable advice. The Company has received the requisite special notice from a Shareholder and accordingly the special notice is hereby given to the shareholders for passing the following special resolution under section 261 of the Companies Act, 1956 for re-appointment of Shri S. G. Nevatia, as a Director of the Company.

   "RESOLVED that Shri S. G. Nevatia, who is a Director and an associate of Messrs. Birla Bombay Private Ltd, the Managing Agents of the Company, be and is hereby re-elected as a Director of the Company."
4. To appoint Auditors and fix their remuneration.

   As Special Business:
5. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution :—

   "Resolved that apart from the transactions of loans exempted under the provisions of Section 370 of the Companies Act, 1956, the Company be and is hereby authorised to make any loan to any other body corporate up to 30% of the Company's subscribed capital and free reserves in case of bodies corporate not under the same management and 20% of the Company's subscribed capital and free reserves in case of bodies corporate under the same management."

By Order of the Board
S. N. Gupta
Secretary.

14, Radha Bazar Lane, Calcutta,
the 4th December, 1967.

Note: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their address as registered with the Company.

3. The Register of Members of the Company will remain closed from the 3rd January, 1968 to the 10th January, 1968 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 10th January, 1968 or to their mandatees on or after the 9th February, 1968.

Explanatory statement has been forwarded to the shareholders.

NEW INDIA SUGAR MILLS LIMITED

NOTICE

NOTICE is hereby given that the Thirty-third Annual General Meeting of New India Sugar Mills Limited will be held on Monday, the 8th January, 1968 at 2-30 P.M. at 15, India Exchange Place, Calcutta for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the company for the year ended 30th June, 1967.
2. To declare dividends.
3. (a) To elect a Director in place of Shri T. D. Kanoria who retires by rotation and being eligible offers himself for re-election.

   (b) To appoint Shri M. L. Nopany as a Director.
4. To appoint Auditors and fix their remuneration.

   As Special Business:
5. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:—

   "Resolved that apart from the transactions of loans exempted under the provisions of Section 370 of the Companies Act, 1956, the Company be and is hereby authorised to make any loan to any other body corporate up to 30% of the Company's subscribed capital and free reserves in case of bodies corporate not under the same management and 20% of the Company's subscribed capital and free reserves in case of bodies corporate under the same management."

By Order of the Board
S. N. Gupta
Secretary.

14, Radha Bazar Lane, Calcutta,
the 4th December, '67.

Notes: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 2nd January, 1968 to the 8th January, 1968 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 8th January, 1968 or to their mandatees on or after the 31st January, 1968.

Explanatory statement has been forwarded to the shareholders.

COMPANY MEETING

CONSOLIDATED COFFEE LIMITED

Speech of Mr M. A. Sreenivasan, Chairman, at the 24th Annual General Meeting of Consolidated Coffee Limited on 12th December 1967

The year has been a notable one for the Company in many ways. It witnessed an abbreviation of its name, and an expansion of its area and activities. It was a year of quiet consolidation and reorganization, and of harmonious employer-employee relations. Above all, it was a year in which the Robusta crop harvested beat all previous records. This record harvest was in striking contrast to the widespread failure on the food production front, proving, once again, what Indian agriculture can achieve on Indian soil, under the Indian sky and climate—including the well-publicised droughts and vicissitudes of the Indian monsoon—if only it is free to be organised and run as an industry, with security of investment, and the inputs of the necessary skills and disciplines, instead of continuing to be the poverty-stricken, slogan-ridden, statute-sick and precarious occupation that it is in the areas on which food crops are grown.

I wish I could add that the year saw also the fulfilment of the assurance given by the Government of Mysore in the State Legislature on the 6th of July 1964 that the onerous and anomalous 60% agricultural Income Tax on the bulk of the Company's income would be lowered. Unfortunately, this has not yet been done, though it is now over 3 years since the assurance was solemnly given. I can only say that the Chief Minister and his colleagues have fully appreciated the case and hope that this long-promised relief will not be further delayed.

From the results of the year you will be pleased to see that the confidence expressed by the Directors that the acquisition of Messrs. Volkart Brothers' Tellicherry Division would enable the Company to maintain profitability was justified.

Our curing capacity is trebled, and we now cure nearly a fifth of the all-India crop. In addition, we now handle exports of coffee, and hope to be able further to expand the business. The recent devaluation of the Pound, however, threatens severely to handicap coffee exports and to diminish the country's foreign exchange earnings, unless the export duty on coffee, imposed when our rupee was devalued, is immediately removed.

During the year, three senior officers of Messrs. Volkart Brothers' organisation, namely, Mr J. Gunn, Mr S. S. B. Ball and Mr H. A. Trueb retired from the Company's service. I am sure you will join the Board in good wishes for their success and happiness.

Our special thanks are due to Mr K. B. Somana, Managing Director, and Mr R. K. Renfer, Joint Managing Director, for their able and devoted services to the Company during the year.

(This does not purport to be a record of the proceedings of the Annual General Meeting.)

There has been discussion from time to time of the policies and performance of the sterling tea companies operating in our country. Criticisms have been made or conclusions drawn which may need to be reconsidered in the light of the relevant facts. The Indian Tea Association has prepared a memorandum giving its account of the performance of the sterling tea companies in north-east India. Since "Eastern Economist" attaches great importance to the continuing and growing participation of foreign capital and enterprise in our economic development, it welcomes this opportunity of publishing this memorandum and drawing the attention of its readers to it. This journal believes that any reasonable and responsible assessment of the role of the sterling tea companies in the tea industry and in the national economy generally will have to take due note of the information and arguments presented in this memorandum.

Performance of Sterling Tea Companies

THIS MEMORANDUM analyses the working performance and financial pattern of the sterling tea companies operating in north-east India for the five-year period 1961 to 1965 inclusive, 1965 being the latest year for which full data are available. The data cover all but three of the sterling companies operating in north-east India. Complete details for the three companies omitted are not available but since these companies constitute only 1,129 hectares in area or a little over one per cent of the total sterling area their omission is not significant.

The statistics quoted in respect of the sterling companies have been taken from the audited accounts of the companies and other official records, and refer only to those companies and estates which were in sterling ownership as on December 31, 1965. Companies or estates transferred to non-sterling ownership in the period under review have been excluded from the statistics for the entire five-year period.

Comparative data for other sectors of the industry, including former sterling estates now in domestic ownership, have been drawn from the published statistics of the Tea Board and of the Reserve Bank of India.

The following table sets out the area under tea and the crop production of the sterling companies, compared with the rest of the industry in north-east India:—

	Area under tea		Crop production		Percentage of	
	Sterling estates (Hectares)	All other estates (Hectares)	Sterling estates (In 1000 kgs)	All other estates (In 1000 kgs)	Sterling area to total area %	Sterling crop to total crop %
1961	103,074	149,671	126,503	145,614	40.78	46.49
1962	103,801	150,133	122,169	139,544	40.88	46.68
1963	104,406	150,813	118,542	137,774	40.91	46.25
1964	104,917	153,998	134,823	154,014	40.52	46.68
1965	105,569	157,071	126,383	144,545	40.20	46.65

("Area under tea" includes, by formal definition, all tea lands, comprising (i) land carrying mature crop-bearing tea, (ii) land carrying young tea not yet in bearing and (iii) land temporarily fallow or under rehabilitation pending planting or re-planting.).

The above table shows that the area under tea, whether in sterling or other ownership, has steadily increased. The column showing percentages of total area indicates that the rate of increase in area from 1961 to 1963 was slightly more rapid in the sterling sector than in the rest of this industry, whilst the reverse was the case in 1964 and 1965.

However, it is the use made of the area under tea that determines the degree of productivity. Whilst crop production for the whole industry has fluctuated from year to year with varying climatic conditions, the sterling sector has consistently produced a much higher percentage of crop from its area under tea than the rest of the industry. Over the entire five-year period the average land-holding of the sterling sector was 40.65 per cent of the whole, whilst this sector's average crop production was 46.55 per cent of the whole.

This high degree of productivity on the sterling estates is also progressively improving, as is illustrated in the following table of crop production per hectare of area under tea:

		Sterling estates kgs.	All other estates kgs.	Sterling estates' yield as a percentage of other estates' yield %
1961	...	1227	973	126.10
1962	...	1177	929	126.70
1963	...	1135	914	124.18
1964	...	1285	1000	128.50
1965	...	1197	920	130.11

It is true that the sterling estates are predominantly located in districts which are naturally high-yielding and some element of these estates' superior productivity over the rest of the industry in north-east India might be attributed to this factor. The steady annual improvement in relation to the rest of the industry cannot however be thus dismissed and it must therefore be inferred that the sterling estates' superior and increasing productivity is as much attributable to the merit of their endeavours as to any inherent factor of location.

The sterling companies have always been in the forefront of those manufacturing quality teas designed for the international export market. Such teas are either exported directly by the producers or are sold through the Calcutta auctions for export by buyers. The table at the bottom of the page shows the total export performance through both channels, in relation to that of the rest of the industry.

As was shown earlier, the sterling companies, with 40.65 per cent of the total area under tea in north-east India, produce 46.55 per cent of the total crop. Their average share of the total north-east India exports is however even higher, at 53.87 per cent.

Secondly, on average over the five-year period under review, the sterling companies exported 72.29 per cent of their annual crop, whereas the comparative figure for the rest of the industry was 53.51 per cent only.

Thirdly, although total exports in terms of weight showed a downward trend in 1964 and 1965, the rest of the industry bore considerably greater responsibility for this than did the sterling sector, which not only increased its actual weight of exports in 1964 but significantly increased its share of the total exports in both that year and in 1965 when it reached a peak of 57.01 per cent.

It is therefore clear that, as with productivity, the sterling companies far outstrip the rest of the industry in export performance.

Planting Performance

The following table sets out the planting record of the sterling sector of the industry·

	Area replanted (on uprooted land) (Hectares)	Area planted in replacement (on virgin soil) (Hectares)	Area planted in extension of acreage (on virgin soil) (Hectares)	Total planting (Hectares)	Total bearing area at year end (Hectares)	Total area under tea as at year end (Hectares)
1961	1,143	128	383	1,654	93,561	103,074
1962	1,090	186	525	1,801	94,235	103,801
1963	1,066	168	589	1,823	94,799	104,406
1964	1,181	261	858	2,300	95,756	104,917
1965	1,153	288	997	2,438	96,439	105,569
Total:	5,633	1,031	3,352	10,016		

("Total bearing area" is that area yielding crop. "Area under tea" is as defined earlier).

The rate of replanting or replacement planting is dictated by the necessity for replacing old tea when yields on such tea fall, and therefore varies from year to year. To the extent that replanting or replacement is carried out with newly developed and higher yielding strains of bush and is planted and husbanded with modern techniques, such planting does constitute improvement to the property and to the crop yields rather than just simple replacement. However, it is the extension planting which constitutes the principal factor in expansion of the estates and their crops, and the above table shows that the sterling companies, far from neglecting this very important aspect, have planted out increasingly larger extension acreages each year and the rate of extension is now approaching that of replanting. Replacement planting on virgin soil has also shown a steady upward trend and the annual rate of all types of planting has increased from 1,654 hectares to 2,438 hectares or by approximately 50 per cent over the five-year period under review.

The annual rate of total planting for the sterling companies, expressed as a percentage of the total area under tea in the preceding year and compared with the corresponding percentage for the rest of north-east India industry, is as follows:

(In per cent)

	Sterling companies	All other estates
1961	1.60	1.35
1962	1.75	1.40
1963	1.76	2.08
1964	2.20	2.46
1965	2.32	2.01
Averages	1.94	1.88

The sterling companies' rate of total planting shows a steady annual increase. The rate for the rest of the industry, although superior to the sterling companies in two particular years (1963 and 1964), has followed a rather more erratic pattern and the sterling sector's rate is marginally superior on overall average.

As tea takes from three to five years after planting to come into bearing, the annual rate of planting will not tally with the increase in bearing area for the corresponding year. Nor will the rate of extension and replacement planting in a given year necessarily be reflected precisely in the increase in total area under tea in that year, as there could for example be adjustments for uprooted land discarded and for new land brought into the area and put under preparation for planting but not at that stage planted. However, the steady growth in both bearing area and area under tea on sterling estates will have been noted; the total increase in each over the five-year period under review is as follows:

	Bearing area	Area under tea
1960	93,314 hectares	103,016 hectares
1965	96,439 „	105,569 „
Increase in 5 years, 1961 to 1965	3,125 „	2,553 „
Increase as percentage of areas in 1960	3.35%	2.48%

TOTAL EXPORT PERFORMANCE OF STERLING TEA COMPANIES IN RELATION TO THE REST OF INDUSTRY

	1961 1000 kgs.	1962 1000 kgs.	1963 1000 kgs.	1964 1000 kgs.	1965 1000 kgs.
Direct exports from sterling estates ...	61,845	62,473	64,967	72,746	68089
Exports from sterling estates through Calcutta auctions ... /	29,842	25,023	25,737	25,412	18,137
Total exports from sterling estates	91,687	87,496	90,704	98,158	86,226
Total exports by entire industry in N-E India ...	169,995	169,424	179,292	173,314	151,159
Total sterling exports as percentage of total exports from N-E India	% 53.91	% 51.65	% 50.59	% 56.63	% 57.01
Total sterling exports as a percentage of sterling crop	72.49	71.62	76.51	72.84	68.21
Rest of industry's exports as a percentage of their crop	53.41	58.22	63.79	48.46	44.63

These figures also show that the utilisation of the total area under tea is improving steadily, since the proportion of the total which constitutes the all-important bearing area is increasing at a higher rate—a factor which has a significant bearing on the increasing productivity of the sterling sector. (A comparison of this particular aspect with the rest of the industry is not possible as there are no published figures of bearing area for the industry as a whole).

Capital Investment

It is the practice of all sterling companies to expend substantial sums of capital in their estates annually in the form of: extension planting; in replacement planting; modernisation or addition to factories and other machinery; in buildings (principally factory extensions, staff and labour quarters); in transport, etc. Such investment is regarded as essential to the well-being of the estates.

Capital expenditure is drawn primarily from profits: partly from profits retained in the form of depreciation and partly from distributable profits, but re-investment of the proceeds from realisation of capital assets also makes a contribution.

The following table shows the pattern of annual capital expenditure on the estates, in relation to depreciation provisions, proceeds from realisation of capital assets, and distributable profits after tax:

	Annual capital expenditure on estates	Depreciation	Retained proceeds from realisation of capital assets	Distributable profits (after depreciation and tax)	Total funds available (total of columns B, C & D)	Percentage of total funds available reinvested in estates (Col. A as a percentage of Col. E)
	A Rs crores	B Rs crores	C Rs crores	D Rs crores	E Rs crores	F Rs %
1961	3.51	2.35	0.23	4.65	7.23	48.55
1962	4.61	2.52	0.24	4.70	7.46	61.80
1963	3.66	2.66	0.57	2.35	5.58	65.59
1964	3.55	2.87	0.29	3.39	6.55	54.20
1965	3.36	2.90	0.27	1.91	5.08	66.14
Total	18.69	13.30	1.60	17.00	31.90	...
Averages	3.74	2.66	0.32	3.40	6.38	58.62

Other than in 1962, when a record level of re-investment was attained, the amount of annual capital investment in the estates has been very consistent, the quantum being dictated by necessity in relation to the welfare of the properties, rather than by the profit level achieved. It will indeed be noted that the quantum was sustained even in the years of depressed profit (1963 and 1965) and on overall average, the sterling companies have ploughed back 58.62 per cent of their total available resources.

The annual capital investment has also consistently exceeded the "capital resources available" in terms of depreciation and retained proceeds from realisation of capital assets. Capital resources in the five-year period under review totalled Rs 14.90 crores whilst capital investment amounted to Rs 18.69 crores. Distributable profits therefore made a direct contribution of Rs 3.79 crores to capital investment. Moreover, in as much as the capital expenditure has consistently exceeded the capital resources in terms of depreciation and realised assets, the quantum of depreciation has increased annually at the expense of the net profit available for distribution.

In 1960, the depreciation level stood at Rs 2.13 crores. By 1965 it stood at Rs 2.90 crores and the accumulated increase in depreciation appropriations over the five-year period was Rs 2.65 crores. But for the increasing capital investment, therefore, distributable profits would have been higher by the latter sum less tax, or by Rs 1.09 crores after tax. The total amount available for distribution in the five-year period would therefore have been Rs 18.09 crores and not Rs 17 crores as it was in practice.

Consequently, with a direct contribution of Rs 3.79 crores and a contribution of Rs 1.09 crores by way of increased depreciation, a total of Rs 4.88 crores has been drawn from the total net profits of Rs 18.09 crores potentially available for distribution to shareholders. The proportion of distributable profits re-invested in the estates was therefore 26.97 per cent. (No comparison with the rest of the industry is possible, as there are no consolidated published figures of the industry's annual capital expenditure on the estates).

Profits and Profitability

This is the sole aspect in which the sterling sector's performance compares unfavourably with that of the rest of the industry.

In discussing company profits, a reference to dividends is substantially irrelevant. It has to be borne in mind that by far the greater number of the sterling companies under review were founded some 100 or more years ago, on a paid-up capital sum which would be regarded as extremely modest by modern standards and which bears little relation to the total capital employed in these companies today. The total employment of capital has over the years been substantially enhanced (i) by the creation of large reserves through the ploughing-back of undistributed profits, (ii) by increased borrowing from banks or other financial institutions, and (iii) on occasions, by increases in the creditor-debtor ratios.

The standard practice of the Reserve Bank is to quote the return (profits after taxation) as a percentage of net worth, i.e., paid-up capital plus reserves plus undistributed surplus and, in these terms, it would not be by any means exceptional for a tea company, having an original paid-up capital of £10,000, to be employing today a capital sum of say £50,000. Whilst an amount of £2,000 distributed to shareholders would constitute a dividend on paid-up capital of 20 per cent, it would in fact represent a return of only four per cent on the current net worth of the shareholders' investment in their company.

The return on net worth therefore gives the only true representation of the return on the shareholders' actual investment and the following table shows that this figure, as it relates to the sterling companies, is exceedingly low:

	Net worth Rs crores	Profits after taxation Rs crores	Profits as a percentage of net worth %
1961	66.43	4.65	7.00
1962	69.17	4.70	6.79
1963	69.66	2.35	3.37
1964	71.17	3.39	4.76
1965	71.19	1.91	2.68

These figures require little elaboration. A steadily increasing investment in terms of total net worth has earned a progressively declining return. The only year in which the decline was temporarily arrested was in 1964, a year in which the sterling sector of the industry, in common with the industry as a whole, produced all-time record crops. It is significant that such a record failed to restore either the actual profits or the rate of return on the total investment to the level obtaining only two years previously.

A similar, although not so steep pattern of decline is applicable to the domestic sector of the tea industry and both this and the sterling sector fare less well than almost all other major industries in India, vide the following table of comparative post-taxation returns on net worth, extracted from Reserve Bank Bulletins :

	1961-62	1962-63	1963-64	1964-65	1965-66
Sterling tea companies (As above, for corresponding calendar years)	7.00	6.79	3.37	4.76	2.68
The domestic sector of the tea industry (All India)	6.10	5.50	5.30	6.00	Not available
Coffee	4.40	7.70	11.80	11.30	-do-
Cotton textiles	13.30	5.90	7.10	7.50	-do-
Jute textiles	0.30	16.70	9.70	2.60	-do-
Machinery	13.00	10.60	12.50	12.20	-do-
Basic chemicals	13.20	11.50	10.40	12.00	-do-
Average for all domestic industries in India	10.00	8.60	9.40	9.20	-do-

Only jute textiles approaches the low level of return of the tea industry as a whole but, on average, even jute fared better in the period under review.

The reason for the tea industry's poor showing is basic and straight-forward; the pattern of world tea prices has shown a persistent decline over a period of many years, whilst production expenditure in all its aspects has suffered a steady increase. Rises in production expenditure are undoubtedly common to all industries in India but only tea (and to an extent jute) has no means of marking up its selling prices in compensation. Tea production may also claim the distinction of an unusual plethora of ever weightier tax burdens which, as with other enhancements in cost of production, cannot be passed on to the buyer or consumer; amongst these are: central income-tax, state agricultural tax, excise duty, cess, Assam goods tax, West Bengal entry tax, Kerala sales tax, export duty.

In the particular case of the sterling tea companies, the above table shows that this sector of the tea industry fares even less well than the domestic sector, and comes, indeed, at the bottom of the overall industrial list quoted, a fact which is in seeming conflict with the sterling sector's superior position in the tea industry on crop productivity, export performance, rate of planting and its substantial annual plough-back of profits. Three factors principally account for this :

i) The rate of plough-back of profits on the sterling estates

ii) The incidence of central income-tax and state agricultural tax, as applicable to sterling companies

iii) The incidence of excise duty, as applicable to sterling estates.

i) The rate of profit plough-back on sterling estates

As has been shown earlier, the sterling companies have consistently invested in capital expenditure on their estates at a level in excess of the capital resources available from depreciation appropriations and from the realisation of capital assets. In consequence, the value of their capital assets has been increasing annually which has had the dual effect of enhancing the reserves, and therefore the net worth, whilst simultaneously reducing the distributable profits through enhanced appropriations for depreciation.

This therefore is undoubtedly an important factor in the declining return on net worth but since no comparison with the rate of capital investment in the rest of the industry is practicable, in the absence of published data for the industry as a whole, it is not possible to say whether this aspect applies in sufficiently greater degree to the sterling companies than to the domestic sector of the industry as to account for the sterling sector's more rapid rate of decline in return on net worth.

ii) The incidence of central income-tax and state agricultural tax

The combined incidence of these taxes bears more heavily on the sterling company than on the domestic company. For example, in 1964 (the latest year for which there are comparative returns for both sectors of the industry), the combined rates of taxation in the various tea producing states of India were :

	Assam	W. Bengal	Mysore	Madras	Kerala
Sterling	62%	50%	52.6%	53%	50.3%
Domestic	54%	42%	44.6%	45%	42.3%

The differential between sterling and domestic companies is eight per cent in all states but the differential between the lowest incidence on a domestic company (West Bengal) and the highest on a sterling company (Assam) is as much as 20 per cent and since by far the greater preponderance of the sterling estates' acreage in north-east India is located in Assam, these estates bear a disproportionately high burden of taxation. No figure exists for the average all-India incidence of taxation on the domestic sector of the industry but it is clear that this falls somewhere between 42 per cent and 54 per cent, probably of the order of 50 per cent, as opposed to the 62 per cent paid by the preponderance of the sterling estates.

The differential between the domestic and sterling sectors of the industry has also widened over the five-year period under review—a factor contributing to the sterling companies' more rapid rate of decline in return on net worth. This is illustrated by the following figures of annual taxation incidence in Assam and West Bengal, where all sterling estates in north-east India are located :

	1961	1962	1963	1964
Assam				
Sterling	45.6%	55.2%	59.4%	62.0%
Domestic	38.4%	50.0%	54.2%	54.0%
Differential	7.2%	5.2%	5.2%	8.0%
West Bengal				
Sterling	49.2%	49.2%	49.2%	50.0%
Domestic	42.0%	44.0%	44.0%	42.0%
Differential	7.2%	5.2%	5.2%	8.0%

It is perhaps significant that in the year when the differential was reduced from 7.2 per cent to 5.2 per cent (1962), the sterling companies not only made their highest net profit of the entire five-year period but also, in terms of return on net worth,

exceeded the domestic sector by the widest margin achieved.

Were the sterling companies treated as domestic companies for taxation purposes, there would obviously be a very substantial improvement in their profits after taxation and in their returns on net worth. This is illustrated by the following example for the latest of the above years (1964) :

	Actual profits after taxation of sterling companies Rs. crores	Potential profits after taxation, if taxed as domestic companies Rs. crores
Earned in Assam	2.53	3.06
Earned in W. Bengal	0.86	1.00
Total profit	3.39	4.06
Total profit as a return on net worth	4.76%	5.70%

The loss of return on this ground alone is therefore substantial. However, 75 per cent of the sterling companies' profits are earned in Assam, in which state the taxation incidence, even for domestic companies, is the highest in India (54 per cent). The average for all-India applicable to the domestic sector is, as earlier stated, probably of the order of 50 per cent and if taxed at this level, the sterling companies' profits after taxation in 1964 would have been Rs 4.19 crores, equivalent to a return on net worth of 5.9 per cent, which closely approximates to that of the all-India return of six per cent on net worth applicable to the domestic sector.

iii) The incidence of excise duty as applicable to sterling estates

The factor of location again has considerable bearing on this aspect. There are five "Excise zones", each carrying different excise levies ranging currently from 30 paise per kg. in Zone I to 78 paise per kg. in Zone V, which includes the greater part of the Assam Valley production area. The differential between zones is supposedly equated to the differentials in average sale price of teas produced in these zones. Although on comparison of district price averages it can be shown that excise duty bears disproportionately heavily on zone V, it is not proposed to question here the inherent merit of the differentials but to point out that any percentage increase in excise levy bears heaviest in terms of cash on the highest excise level applicable in zone V.

In practice, excise rates have been increased on three occasions in the five-year period under review: in 1961, 1962 and 1963 (they have since been increased further in 1967). The average increase for the whole industry from 1960 to 1963, weighted in relation to zonal crops, was 22 paise per kg. The increase in Zone V, where the levy is highest, was however 27 paise per kg., an excess of five paise per kg. over the industry average. As 67.70 per cent of the sterling companies' crop is produced in Zone V, this proportion of the crop suffered this extra impost and the excess loss of income over the industry average on this account was, in 1964 for example, Rs 0.46 crores. Again assuming taxation at the all-India domestic level of 50 per cent, the reduction in profits after taxation was Rs 0.23 crores on this account.

To summarise therefore :

Part (i) of this section showed the depressing effect on return on net worth of the sterling companies' high annual rate of capital expenditure.

Part (ii) showed that had the sterling companies been taxed at the average all-India incidence for the domestic sector of the industry, profits after taxation in the sample year of 1964 would have been Rs 4.19 crores instead of a factual Rs 3.39 crores.

Part (iii) showed that had the enhancement in excise duties in Zone V been commensurate with the all-India rate of enhancement, the sterling companies' profits after taxation in the sample year of 1964 would have further increased to Rs 4.42 crores.

The latter figure is therefore that which is comparable to the average for the domestic sector of the industry. This figure is equivalent to a return on net worth of 6.22 per cent and compares with the domestic sector's actual average return of 6.0 per cent. It is therefore apparent that, even without reference to the rate of capital expenditure, the sterling companies would have shown a return commensurate with their superior productivity were it not for the disparate fiscal burden which they bear.

Remittance of Profits

Very little of the profits after taxation earned in the period 1961 to 1965 has, in practice, been remitted to the United Kingdom. However, as companies may have applications for remittance pending, a study of these five years alone would not necessarily afford fair conclusions. The remittance pattern for the full ten-year period 1956 to 1965 has therefore been ascertained and is set out in the following table.

(As certain companies operating in north and south India are unable at this juncture to separate that portion of their profits and remittances which is applicable to the north only, these companies have been omitted from the study for the period 1956 to 1960. For that period, therefore, the study is applicable only to 96 per cent—in terms of area under tea—of the sterling companies operating in north-east India. From 1961 to 1965, the study is, as before, in respect of 99 per cent of the north Indian sterling companies, in terms of area under tea.)

	Profits after taxation Rs. crores	Profits remitted to the UK in respect of the year in question Rs. crores
1956	5.61	6.49
1957	3.15	2.94
1958	3.45	3.03
1959	4.87	2.62
1960	5.10	2.91
1961	4.65	2.54
1962	4.70	1.91
1963	2.35	0.74
1964	3.39	0.60
1965	1.91	0.04

The remittances have been shown in the above table against the year in respect of which they were earned and not the year in which they were actually remitted, which in all cases would be a minimum of one year after that in which earned and may have been even later in individual cases.

Profits after taxation are net after offset of losses incurred by individual companies, whereas the remittance entitlement is gross and relates only to those companies which earned profits. Consequently, the remittance entitlement may frequently have exceeded the net profits after taxation. However, it will be noted that only in one year (1956) did the actual remittance exceed the net profits earned. In respect of each of the subsequent nine years, remittances have been considerably less than the net profits earned, a pattern which is consistent with the rate at which the sterling companies have ploughed back distributable profits into the estates, as was illustrated earlier.

Disinvestment

The inducements to disinvestment in India by sterling tea companies are several.

As has been shown in the preceding pages, the return on the industry as a whole is inferior to that of other major industries in India, whilst that for the sterling sector, because of the peculiar incidence of taxation, is even lower. Simultaneously, with the sharp inflation in production costs, including taxation, set against a declining world sale price for the product, the return, low as it is, has been progressively declining.

No comparable figures of return on capital employed in major industries in the United Kingdom are available but it is certainly true that agricultural commodities are regarded as risk investments which call for a higher return than other industries and a substantially higher return than that currently available from tea investments in India. It is perhaps significant that of the 28 major sterling tea groups trading in north-east India in which there are regular published dealings on the London Stock Exchange, 22 (as at October, 1967) earn share quotations lower than parity. Of these, one-third are below 50 per cent of parity, the lowest quotation being at 17½ per cent. These quotations are notwithstanding the somewhat improved trading results applicable to most companies for 1966, following the devaluation of the Indian rupee.

The discouraging pattern of financial return and declining share values has served as the greatest single inducement to disinvestment in past years and remains so now. To this must be added, however, other factors of more recent origin: the tendency to political instability and labour indiscipline in certain of the tea districts, the acute food shortages and the immense problems which these entail for garden management, and the general industrial depression in the country as a whole.

The great counter-weight to these several important inducements to disinvestment is sentiment, extending to both the industry and to the country, neither of which can be lightly discarded by any company after an intimate connection lasting for a hundred or more years. With this is coupled an innate faith in the ultimate future of India and of the companies' interests in the country.

The evidence of this faith is clear from the companies' performance: notably the continuing re-investment of profits in the estates, the progressive and growing expansion of crop-bearing acreage and the modernisation of factories and production methods. Not least is it evidenced by the fact that the rate of disinvestment is remarkably low.

Re-investment may often in practice be mistaken for disinvestment. The rate of capital expenditure on the estates, high as it is, is lower than the companies would wish if they are simultaneously to expand and modernise and also meet their social commitments such as in the provision of modern labour housing. The percentage of profits ploughed back is already as high as can be reasonably borne and in consequence companies have frequently had to reassess priorities, entailing the disposal of less economic estates or divisions of estates in order to yield the funds necessary for re-investment in the better properties. As the table on page III indicates, a total of Rs 1.60 crores was re-invested thus in the five-year period under review; six estates totalling 2,424 hectares were included in this realisation of assets for re-investment but, as was shown in earlier pages, this loss has already been recouped in the expansion of sterling area elsewhere, totalling 2,553 hectares in the same five-year period.

In practice, in the years 1961 to 1965, thirteen sterling companies disinvested wholly from India but twelve of these were single-estate companies only and the total area under tea of all was 5,592 hectares only. If included with the present total area of the sterling tea companies, those companies which have withdrawn in this five-year period constituted only five per cent of the whole.

The total net sale proceeds from all realisation of capital assets by sterling companies in the period under review (including that by those companies which have withdrawn entirely) was Rs 2.68 crores. Of this, as already stated, an amount of Rs 1.60 crores was retained for re-investment in the estates in India and only Rs 1.08 crores was repatriated to the United Kingdom. Simultaneously in this five-year period, there was a net increase in investment in capital assets in India (after depreciation and utilisation of realised assets) of Rs 3.79 crores, an amount well over three times that repatriated.

Comparative Performance of the Domestic Sector

It has been demonstrated that the comparative performance of the sterling sector of the industry is generally superior to that of the domestic sector. Whilst this is true, taking the latter as a whole, it is not intended to imply that all domestic companies necessarily compare so unfavourably.

It is not the purpose of this presentation to make a detailed study of the domestic sector but it is undoubtedly the case that many domestic companies enjoy able and efficient management and such companies can almost certainly claim a similar performance to that of the sterling companies. For example, there are 78 domestic companies, controlling 35,537 hectares of tea, which share common local management services with the sterling companies through 14 principal "agency houses" in Calcutta. These companies therefore enjoy identical administrative, technical and policy direction to that of the sterling sector and there is consequently every reason to assume that their performance is no less satisfactory. By way of illustration, it may be pointed out that whilst their land-holding constituted 22.83 per cent of the total domestic holding in N.E. India as at 1965, their share of the production in that year was 28.39 per cent (40,233,151 kgs), whilst the production per hectare was 1132 kgs. Both factors closely approximate to those of the sterling sector in the same year and are far superior to the productivity of the domestic sector as a whole. Doubtless also there are other individual domestic companies which could show a like performance.