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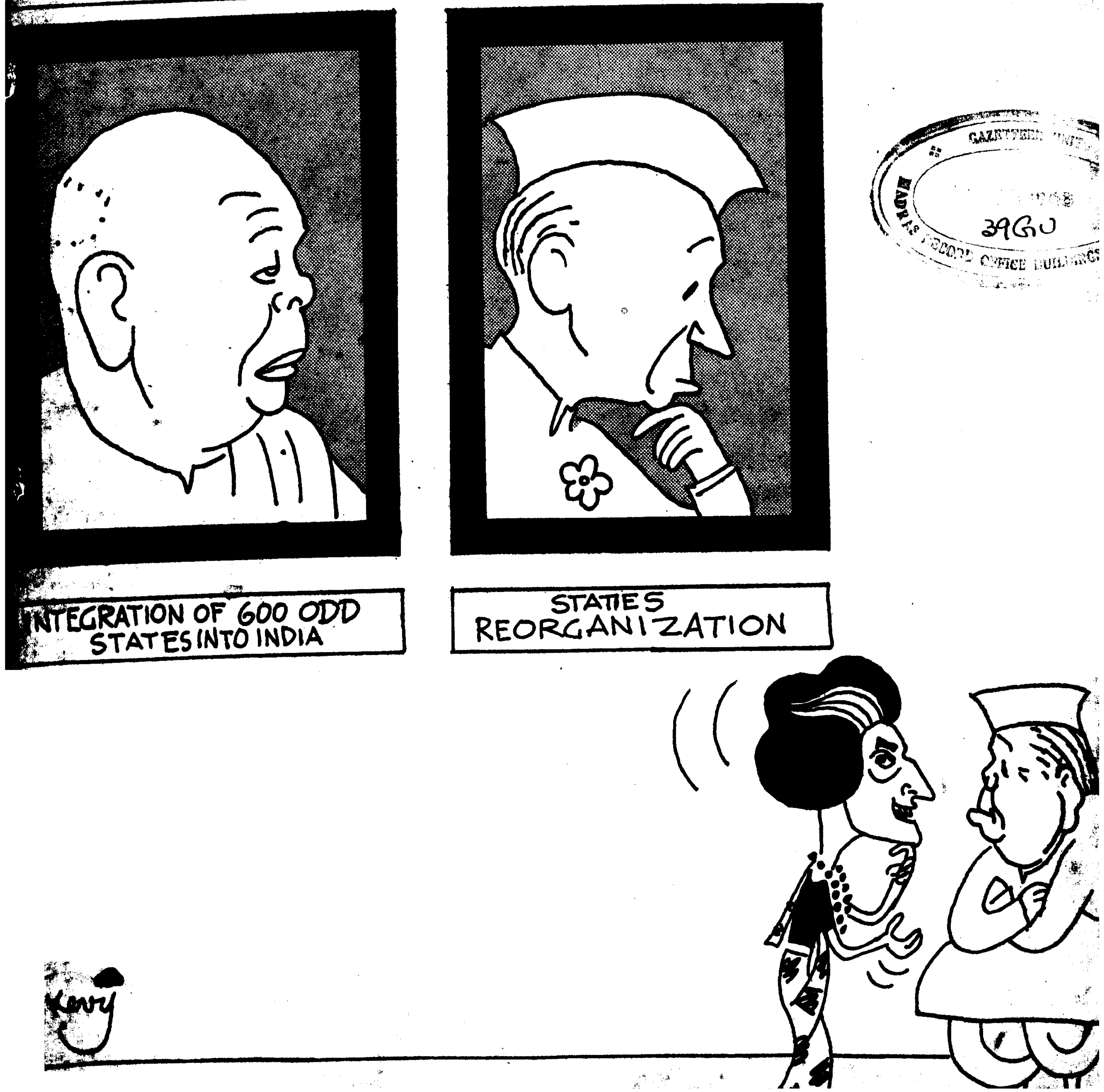

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Dialogue Despite Differences

MISFORTUNE IS proverbially known to make strange bedfellows, but if the government and the business community, addressing each other at this year's session of the Federation of Indian Chambers of Commerce and Industry, discovered so much common ground between them, it may not necessarily be only because a great deal has been going wrong with the processes of our economic development. The Prime Minister as well as the out-going President of the Federation were clearly influenced by the improving prospects of a joint journey of the government and the private sector towards some of the urgent goals of economic activity. Downward trends in production, investment and employment opportunities have got to be reversed without loss of time; otherwise hard-won gains in the living conditions of our people could be lost and they may not be recovered in a hurry. The devaluation of the rupee has not been followed by the expected advantages, whether in the form of increased export earnings or otherwise, but the chances of a modest advance in export capabilities are becoming brighter and should be availed of.

On the agricultural front, after two years of acute drought, outputs have increased substantially, principally due to favourable weather, but also because of the beginnings of a technological effort which holds great promise for the future, and which has to be sedulously fostered if it is to become an enduring force. The address of the President of the Federation indicates adequately enough that the business community is aware of and sensitive to these challenges and opportunities and Mrs Gandhi, for her part, has responded with a statesmanlike acceptance of the importance of co-ordinated thinking and effort between government and industry so that the nation's economy may be enabled to break new ground in modernisation and expansion.

In the circumstances, it should not be difficult to view in proper perspective the divergence in language between Mrs Indira Gandhi and Mr L. N. Birla when they exchanged ideas on the government's fiscal policy. Between the Prime Minister's claim that the government's tax measures had to be judged only in their totality and Mr Birla's suggestion that taxation should mean more to the community than a mere diversion of funds from the hands of individuals to those of the government, there is, in basic economic terms, more identity than contradiction and it is, in fact, not necessary to emphasize this since the latest central budget has tacitly conceded the importance of flexibility, resilience and responsiveness in fiscal measures if they have to be meaningful in terms of changing economic situations. It is true that the President of the Federation recommended that the government's tax policy should travel more confidently and perhaps faster along this road, but the point of significance in his observations was not, as Mrs Gandhi suggested, perhaps in the lighter vein, that businessmen had more than their share of human nature and that, therefore, the more concessions they got the more they wanted.

What Mr Birla really was saying, whether in the passages on taxation or elsewhere in his speech, was that the liberal, reflationary policy which the government had initiated because of the compelling logic of circumstances should be developed into a larger, liberal strategy for putting new life and vigour into the development processes since this would be the only way of breaking through the constraints imposed by the limitations of existing resources. It was on this ground that Mr Birla urged that the savings potential of the rural sector should be mobilised in an imaginative manner and that food controls, which had outlived their

...y, would have to be withdrawn. It was, again, following the same line of thought that Mr Birla recommended that business enterprises, whether in the public sector or the private, were entitled to a degree of freedom without which they could not function in a socially responsible or commercially gainful manner. He was not making any narrow plea for sectional interests, but was outlining a philosophy of economic liberalism for the better organisation and direction of the productive forces of the community.

The President of the Federation thus took a stand which was both idealistic and empirical and the latter aspect was naturally spelt out in specific detail in the various resolutions passed in the course of the proceedings of the annual session. Setting out some sensible guidelines for export promotion, one of these resolutions asked for an appropriate machinery within the government for taking quick decisions on matters affecting the export effort. Thus was anticipated the Commerce Minister's exhortation at a subsequent session of the Federation that export industries should meet the government at least half way in fulfilling the national commitment of stepping up export earnings. Mr Dinesh Singh was advised in no uncertain terms that among the avoidable bottlenecks to export promotion was the slow and obstructive functioning of the bureaucracy. Here, again, is the reappearance in a specific context of Mr L. N. Birla's thesis that the next big advance in our economic development has to come through a liberalisation of the government's role and functioning in the economic sphere. Linked to this argument was another important resolution which asked for the control on cloth prices to be abolished. If the Prime Minister's test of the "totality" of circumstances or purposes were to be applied to the issue of cloth control, it should be obvious that the continuance of the scheme cannot be justified at all. Neither as a measure for regulating costs in the cotton textiles industry nor as a means of serving consumers' interests do the prevailing controls on the production or prices of cotton textiles serve any useful purpose. Not the least serious of the charges that could be made against the Commerce Ministry in terms of the neglect of its responsibilities over the past year or two would be an indictment that it has obstinately been taking a purely political position in dealing with the essentially economic problems of this major industry.

Mrs Gandhi, no doubt, was right in pointing out that production alone was no magic formula of cure for the nation's economic or social ills, but without a steady and rapid expansion in production, the community cannot surely provide itself with the wherewithal for any worthwhile effort in any area of economic or social welfare. It is because inflexible fiscal policies or dogmatic controls, such as those on cloth or food, cut at production as a means of a larger progress that the President of the Federation, Mr Birla, asked that government should think and act in terms of "freedom-based" enterprises if the potential resources and energies of our people are to be converted into the motive force for their betterment.

What About Wealth Tax?

MR S. BHOOTHALINGAM'S report on "Rationalisation and Simplification of Tax Structure" contains a number of useful recommendations some of which—the abolition of the dividend tax and the annuity deposit scheme for instance—have already been implemented in the central budget. In regard to wealth tax, however, Mr Bhoothalingam has taken up a position which largely evades the issue. He has said, it is true, that, in the course of the eight or nine months at his disposal, it was "impossible for him to study and discuss all the problems in the entire field of taxation". In that case, he could surely have refrained from dismissing the problems associated with wealth tax in a paragraph of 22 lines which is certainly not among the more weighty passages in his report. He was not obliged, surely, to deal with matters irrespective of whether he could do justice to them or not.

One of the main reasons in favour of the discontinuance of wealth tax is the smallness of its annual yield. That the revenue receipt from this tax is very small compared to the total tax revenue of the Government of India is conceded by Mr Bhoothalingam. The total tax revenue of the central government in 1968-69 is expected to be about Rs 2,510 crores, while the estimated yield from this tax at Rs 11 crores constitutes less than one-half per cent of the total tax revenue. The latest figures available about wealth tax assessments are of 1964-65. The total tax levy on a wealth of Rs 1,871.4 crores was expected to yield a revenue of Rs 15.1 crores in that year, but the actual receipts were only Rs 10.52 crores. The bulk of the wealth tax levy was on the wealth brackets up to Rs 15 lakhs. The levy on wealth ranges above a crore of rupees fetched in revenue only a crore of rupees from a total of 22 assessees (see Table I). The abolition of this tax would have provided relief to nearly 53,000 assessees without making any significant dent on the revenue of the government.

Mr Bhoothalingam has recommended that wealth tax should continue "if not for any other reason than for ensuring in the long term that income-tax is properly administered". The theory of checks and cross-checks has no doubt certain appeal in the abstract, but its translation into practice does not always lead to the expected results. Mr Bhoothalingam's suggestion that the wealth tax and income-tax returns should be dealt with together—something which is not usually being done at present—might, if implemented, provide a rationale of sorts for the argument about cross-checking, but it could also defeat the main purpose of a reform of income-tax administration, which is to reduce and simplify the work-load on the department.

Already the scrutiny of income-tax returns is a

formidable task, and its complexity contributes to the large number of inaccurate assessments. This fact has been highlighted in a dramatic manner in the third report of the Public Accounts Committee (PAC) relating to revenue receipts in 1965-66. It has been shown by the PAC that after checking 4,02,577 assessments in 1965-66 the internal audit found 61,088 cases in which mistakes—over-assessment or under-assessment—had been made. It means that almost every eighth income-tax assessment had a mistake of one sort or the other. Mr Bhoothalingam's proposal for tagging the wealth-tax returns to the income-tax returns may well make matters worse.

Mr Bhoothalingam has tried to justify the tax on wealth on another count. He is of the view that this tax plays "a useful role in discouraging the unproductive possession of wealth"—an assessment which is more than slightly off the mark since the jurisdiction of wealth tax extends to a variety of "wealth", including stocks and shares. All that this tax does is to encourage a section of people to disperse their capital, earlier than they would otherwise do, during their life-time. The social and economic and, perhaps, the moral merits of this process are at least open to debate. Meanwhile, there has been a fall in the number of wealth-tax assessments between 1962-63 and 1964-65 in the wealth-tax ranges above five lakhs of rupees (see Table II). The increase in the number of assessments in 1964-65 over

TABLE I

WEALTH TAX LEVY IN 1964-65
(All Classes of Assessees)

Range of net wealth (Rs lakhs)	No. of assessments	Total value of net wealth: In respect of assets in India (Rs crores)	In respect of assets outside India (Rs crores)	Total (Rs crores)	Wealth-tax levy (Rs. crores)
1-2	19,271	281.3	0.6	281.9	0.5
2-3	15,255	367.9	0.9	368.8	1.8
3-4	6,641	226.2	0.8	227.0	1.8
4-5	3,851	170.7	0.8	171.5	0.6
5-12	6,273	440.1	2.7	442.8	5.4
12-13	219	27.3	0.1	27.4	0.2
13-14	154	20.5	0.2	20.7	0.2
14-15	127	18.1	0.2	18.3	0.2
15-22	513	91.5	0.6	92.1	0.9
22-23	48	10.7	0.1	10.8	0.1
23-24	17	4.0	—	4.0	0.05
24-25	32	7.8	0.04	7.8	0.09
25-50	283	94.3	1.4	95 7	1.4
50-75	52	29.0	1.3	30.3	0.5
75-100	25	22.0	—	22.0	0.3
Over 100	22	49.9	0.03	49.9	1.0
Total	52,783	1,861.4	10.0	1,871.4	15.0

1963-64 in the range of net wealth of less than Rs 5 lakhs was mostly due to the lowering of the exemption limit.

The rigours of the multiplicity of taxes in the corporate sector have been modified by the application of a ceiling on the total corporate tax but in the case of individuals and Hindu undivided families, no such relief is available. In fact, in specific cases it can be shown that the combined impact of income-tax, wealth tax and other taxes works out to a figure which is higher than the total income. There is a clear need for an optimum limit (in percentage of income) in these cases.

TABLE II

NUMBER OF WEALTH TAX ASSESSMENTS
1962-63—1964-65

Range of net wealth (Rs lakhs)	1964-65	1963-64	1962-63
Up to 5	45,018	20,383	20,382
5-15	6,773	7,122	7,643
15-25	610	730	759
25-50	283	282	367
50-100	77	83	103
Above 100	22	29	73
Total	52,783	28,629	29,327

It is known that wealth tax has acted as a brake to investment in the corporate sector. One of its side effects is that company managements are deterred from capitalising reserves or declaring higher dividends as either course might increase wealth tax liabilities of wealthier shareholders having considerable influence on proceedings in board rooms. If the government is keen to revive the capital market and desires an increased flow of savings of the people into the corporate sector, it should take the earliest possible opportunity of abolishing wealth tax. If nothing else, the government must at least exempt equities from the purview of this tax. This would be consistent with the latest trends in fiscal policy in the direction of promoting the capital market.

Gilt-Edged Market Is Buoyant

EVEN BEFORE the Governor of the Reserve Bank, Mr L. K. Jha, decided to bring about a reduction in the Bank rate to five per cent from six per cent on March 2, 1968, he had in mind a retreat from the dear money policy pursued by his predecessor. The borrowing programme of the central government for 1967-68 was thus unorthodox in some respects, a bold attitude being adopted when formulating the terms of the new loans. There had been no significant improvement in conditions in the money market and the gilt-edged market also was not quite buoyant though there was a disposition on the part of institutional investors to absorb sizable parcels of central loans at the prevailing prices, because of an anxiety to invest part of available resources on a remunerative basis. But it was not anticipated that the monetary authorities would be prepared to lower the yield basis even without an adjustment in the Bank rate and float the new loans of the central government on more advantageous terms for the borrower.

Thus, the investors were offered a choice between three loans, short, medium, and long-dated, for pulling up Rs 350 crores against the option in 1966-67 to subscribe for two loans, short and long-dated, for Rs 260 crores. There were no changes in the interest rates for the loans. But the issue prices were raised, 4½ per cent 1972 being offered at par against a similar loan at Rs 99.25 and 5½ per cent 1992 at par against Rs 99. The loans were fully subscribed, the total amount received being Rs 350.43 crores. Cash subscriptions amounted to Rs 131 crores. As there were maturing loans for Rs 249 crores, net borrowing was a little over Rs 101 crores. In respect of the state loans, however, a logical approach was not adopted and in September last year, the terms of the new loans were made even more attractive, there being not only an increase in the rate of interest but also a lowering in the issue prices. The interest rate was higher at 5¾ per cent against 5½ per cent, while the issue prices were slightly lowered in all cases, except in respect of Maharashtra and Gujarat. It was stated that a different policy was adopted when finalising the borrowing programmes of the states because it was considered advisable to take note of the redemption yields available on the existing loans in the open market.

With a lowering of the Bank rate by one per cent and the known disposition of the Reserve Bank governor, to adopt a cheaper money policy, there is now speculation about the terms of the new loans for the next financial year. It has been announced that credit has been taken for gross borrowing for Rs 300 crores. There are three loans due for repayment in the next few months, namely, 3½ per cent 1968 loan, 3¾ per cent 1968 loan and 4½ per cent National Defence Bond 1968, outstanding for Rs 237 crores. The net borrowing has therefore been assumed at only Rs 63 crores against Rs 101 crores in the previous year. Why has the government taken credit for a smaller net amount while banks have been effecting larger additions to deposits and there is also greater activity in the gilt-edged market?

It may be said that a cautious approach has been followed on the present occasion with a view to avoiding any need for support from the Reserve Bank to the new loans and that it would not be difficult to effect net sales to the open market if there was a greater demand for government securities. There could always be reissues of the existing loans. It will not be surprising, however, if it was ultimately decided to raise even Rs 350 crores in 1968-69 though there may not be any immediate attempt to soak the market completely in one tranche as some surplus will have to be made available to the state governments. There may be a second tranche in October this year after the state loans were out of the way.

The gilt-edged market has been active in the past few weeks and the quotations for many loans have risen significantly, an effort being made to bring about an adjustment to the new yield basis. The Reserve Bank, for its part, has raised its buying rates, that for 3 per cent conversion loan 1946 being higher at Rs 60 against Rs 55. Likewise the buying rate for 3 per cent 1970-75 has been fixed at Rs 95.50 against Rs 94. It is, of course, a strong buyer of all the loans maturing in the next two years. It may be said that the yield pattern has not got adjusted completely to the new basis. But what is noteworthy is the distinct firming up of prices and an anxiety on the part of credit institutions to invest surplus funds in existing securities in anticipation of a modest capital appreciation. There is every likelihood of a further moderate rise in prices. But in the absence of much lower deposit rates, banks may not be keen lenders if the return of fresh investments proves unattractive.

The question will therefore be asked to what extent there will be a revision of the loan terms in favour of the borrower and whether there will be a reduction in interest rates. Since all the three loans were issued at par on the last occasion, there will necessarily have to be a lowering of the interest rate on the short-dated loan and it will not be surprising if it was announced that a five-year loan would be offered at 4¼ per cent at par or at 4 per cent with issue price at a discount. There may be also a lowering of the interest on the medium-dated loan. But it remains to be seen what will be the procedure adopted in respect of the long-dated loan as the obvious course of extending its duration to thirty years may not be generally liked. If the interest rate was reduced to 5¼ per cent with the issue price at Rs 99, it will have a toning up effect on the gilt-edged market. An early decision has to be made by the monetary authorities as the 3¾ per cent 1968 loan outstanding to the extent of Rs 156.64 crores is due for repayment on May 12, 1968. The other two loans will, however, be repayable only later in the year, 3½ per cent 1968 being due to be redeemed on August 26, 1968, and outstanding for Rs 70 crores. The 4½ per cent National Defence Bond 1968, outstanding for Rs 10.43 crores, has to be repayed on October 27, 1968. It is too early to say what will be the policy in regard to the state loans as there were divergent trends on the last occasion. But it is very likely that the terms will be more favourable to the borrower on the present occasion and the issue prices may be raised in all cases though there may not be any immediate anxiety to reduce the interest rates. There has latterly been brisk buying of state loans and the quotations have risen smartly in many cases. The earlier heavy discounts over the issue prices have thus been very nearly wiped out. The spectacle of discount sales witnessed last year may not be repeated to the same extent in 1968-69 and larger direct subscriptions may be forthcoming from the credit institutions. In any event, the gilt-edged market promises to be more lively in the coming months.

Guidelines for Credit Policy

THE FIRST meeting of the National Credit Council (NCC) was held on March 16, 1968; it was formally inaugurated by the Deputy Prime Minister, Mr Morarji Desai. It dispersed after listening to the inaugural address, participating in a general discussion on a paper by Mr L. K. Jha, Governor of the Reserve Bank of India (RBI), on "Credit Planning—the Issues" and setting up a standing committee to study the specific issues in regard to credit planning and formulate concrete proposals for consideration by the NCC at its next meeting towards the end of June this year. The issues raised in Mr Jha's paper are of fundamental importance and unless the NCC is quite clear in its own mind about the problems these issues pose and the proper solutions therefor—which it does not seem to be today—, it cannot possibly start functioning effectively. Whatever may have been the original grandiose conception of the NCC, the very first meeting has demonstrated that it is not going to be the supreme authority holding sway over even the apex body of the country's entire credit and financial mechanism, namely, the RBI! Nor does it seem feasible today, when the new organisation has yet to have its own administrative set-up, let alone a research cell, to assess credit needs, lay down credit priorities and define credit policies. Even when it is fully equipped with all these, it is a moot point whether it can effectively exercise authority, inasmuch as it has as yet no statutory existence. In its present form, it is just another advisory body such as the Industrial Advisory Council. It is to be hoped that it will not also fall into the same rut of dealing with broad generalities and doling out pious platitudes.

According to the union Finance Minister, the NCC is intended to be an important instrument for achieving the objective of social control over banks, that is, to so widen the base and diversify the present pattern of bank credit distribution as to make it readily available to financially weak and economically vulnerable sections of the community. In the present developmental context, three priority sectors have been specifically mentioned in the government resolution establishing the NCC—agriculture, small-scale industries and exports. The task before the NCC now is not only to accord priority to these three sectors but to formulate concrete guidelines for allocation of credit among all the sectors, which will constitute 'the real difficulty', as the union Finance Minister put it. However, if the flexible approach indicated by him, as well as by the Reserve Bank governor, is followed, it should be possible to evolve a broad workable consensus. Mr Desai said, for example, the guidelines have to be framed from time to time in the light of the developing economic situation and the scheme of priorities appropriate to that; also they would need to be framed in a manner that can be translated into reality without any difficulty by the bank managements and the numerous field officials who have ultimately to take day-to-day decisions and also accept responsibility for them. As a desideratum, this is unexceptionable, but, in practice, it is certain to present innumerable difficulties.

In the course of his address, Mr Desai did well, therefore, to lay special emphasis on the need for all deliberations of the NCC being conducted against the background of the totality of our economic life and all the constituents that go to make it, a point which bankers must have taken particular care to stress when they met him. Spelling this out, evidently to reassure them, he said: "The importance of the priority sectors should not make us lose our perspective and make us unmindful of the requirements of the other important sectors. When we attempt to remove the 'credit gaps' which undoubtedly exist in the priority sectors, we should not in the process create 'credit gaps' in other areas. That would be unfortunate and shortsighted. The legitimate needs of all large and medium-scale industries—some of which are highly capital-intensive—forming an integral part of an economic infrastructure have to be met. To deny them credit facilities would result in the wastage of national resources which we can ill afford today. This is true not only of industry but also of trade and many other tertiary activities. The guidelines that we frame would have to take into account the needs of all sectors which contribute and have potentialities to contribute to our national product." After this clear and categorical assurance from Mr Desai, we can safely assume that no reasonably legitimate demand for credit will be starved. The assurance, by the way, is a positive proof of the realisation by the power-that-be that, in attempting to correct an existing imbalance and misdirection of resources, they must not usher in another set of distortions and imbalances in our economic life.

Another important prerequisite to the NCC's successful functioning was also mentioned by Mr Desai, namely co-ordination between different credit agencies. There must not only be a perfect understanding of the respective roles and spheres of activities of these agencies but also, as he rightly noted, of their capabilities and limitations. The controversies as to the roles of the commercial banks and the co-operatives in the field of rural and agricultural finance that have already started serve only to underscore the importance of such co-ordination. The view that their roles should be complementary and that there are vast possibilities in the rural sector for both to exploit is often expressed but, unfortunately, not accepted without mental reservations. Much to the dislike and dismay of co-operatives, where both co-operatives and commercial banks operate, clients seem to prefer the latter and on the score, contrary to popular impression, of their working out relatively cheaper, as the chairman of a leading commercial bank disclosed a few days ago in Bombay.

Mr Desai also touched on the need to place greater emphasis than is being done presently on mobilisation of increased resources for the organised sector, but, in his paper, Mr Jha dwelt on this aspect at some length and quite appropriately too. The problem of allocating bank credit so as to make it a more efficient instrument of development arises, he observed, principally because there is, first, an overall shortage of savings in the economy and, secondly, only a relatively small proportion of the total savings in the community percolates to financial institutions which are the agencies best equipped to deploy them for development purposes. The first task, therefore, is to increase the flow of savings into the banking system or, in other words, to make the rural people banking-conscious.

In this connection, Mr Desai referred to the opportunity offered by the latest bumper harvest, which, he estimated, would have added approximately Rs 1,000-1,200 crores of income to the rural sector and wondered how many commercial banks—he did not here mention co-operatives, though!—have cared to look ahead to seize the opportunity—by way, he perhaps meant, of opening branches in rural areas in a big way to seek deposits from the new cultivator-clientele. Yet, he himself said, most of the savings by the rural people took the form of gold and silver ornaments or just remained as unproductive cash; nearly 67 per cent of the money supply in our country—a much higher figure than in a developed country—according to him, is held in the form of currency. He did not, however, indicate how much out of this 67 per cent actually remained in the rural areas. If, as some leading bankers hold, much of it has been transferred to semi-urban or wholly urban areas, the question arises: will opening branches in rural areas achieve the objective in view? Though this is a debatable point, there would appear to be much force in the case made out by Mr T. D. Kansara, Chairman of the Bank of India Ltd, at a recent press conference, for leaving it to the discretion of the commercial banks themselves to open more branches in rural, semi-urban or urban areas as they deem fit. Of course, these banks would gladly welcome, especially from members representing the interests of agriculture and co-operation on the NCC, suggestions as to how the rural clientele could be persuaded to keep their savings with the commercial banks.

The Venkatappiah committee (the fertiliser credit committee) set up by the Fertiliser Association of India, for instance, has only very recently recommended the establishment of a fertiliser credit guarantee corporation which would work in close co-operation with the Reserve Bank of India and would give guarantees and counter-guarantees to banks that grant advances or offer guarantees to distributors of fertilisers, wholesale or retail. Whilst considering the report of this committee, the government may as well examine the feasibility of extending the scope of such guarantees to include all bank advances to agriculture and agro-industries. If, as has been conceded, agriculture is to receive high priority, such a step, it seems, is definitely called for, as a leading banker indicated in Bombay, the other day. Neither the address of Mr Desai nor Mr Jha's paper, however, make a mention of guarantee to commercial banks for any credit to agriculture.

The importance of Mr Jha's paper consists in the lucid manner in which it sets out the Reserve Bank's credit policy from the beginning, highlighting the shifts and reorientations from time to time to conform to official policy. It is seen from this that the Reserve Bank and the commercial banks lately have adapted themselves to the new policy already. What remains to be done now, it would seem, is only to see if there are any specially deserving areas within the priority categories themselves to which some more attention than now needs to be paid to make the new credit policy meaningful. It is to this task primarily and to the kind of statistical data the NCC may require to enable it to deal with the several issues that may arise generally that the NCC needs to address itself immediately. But the Reserve Bank, which is aware of the lacuna in the requisite data could apply its mind to fill these betimes, without waiting for the next meeting of the NCC to call for them. As Mr Desai himself observed in his address, the Reserve Bank has a fund of expertise in the field and it should be possible for it to provide all the necessary data and analyses for the deliberations of the NCC.

In soliciting suggestions from the members of the NCC to render the recent measures taken by the authorities to speed up industrial recovery more effective, incidentally, Mr Desai referred to one great advantage of credit policy, namely that it is a relatively flexible instrument, capable of quick reversal of direction to changing circumstances. Because it is so, there is the double danger of its being either not used at all or, if those handling it happen to get panicky, being used much too frequently. The advantage of flexibility would be lost in the former case, while it would be abused in the latter. It is in helping the authorities to steer clear of these twin dangers that the NCC has a really vital role to play.

It Pays to Publicise

IN HIS address to the annual meeting of the Indian Tea Association held in Calcutta on March 8, Mr D. B Wallace, chairman, disclosed that although the first round of the Indo-Ceylon talks on tea was held in Delhi in the middle of September 1967, the industry and trade had yet to be given an opportunity to express their views officially. The talks envisage joint action by the two countries to stimulate demand for tea, to review the auction machinery, to promote sales of packet tea, to encourage research in agronomy, manufacture and marketing of tea and to work for an international commodity agreement for tea. The chairman of the Indian Tea Association stated that these proposals were far more comprehensive and far-reaching than originally indicated in press reports.

Mr Wallace complained that "we have almost invariably been granted appointments by senior officials in the centre, very often at extremely short notice, and equally often, at awkward hours". All this seems to show that the government and the tea industry are not working in close co-operation. Mr J. K. Galbraith, in his book, *The New Industrial State,* says that India, in particular, as a legacy of its colonial past, has an illusion of official omnipotence which extends to highly technical decisions. But when such illusion spreads to spheres involving the fate of major foreign exchange earners such as tea, the consequences to the country are likely to be serious.

The difficulties of the tea industry are fairly well-known. But so far, little attention has been given to certain aspects that have an intimate bearing on the industry's costs of production. Mr Wallace, therefore, did well in dwelling at length on some of these. For example, he explained how the industry has been greatly handicapped by the statutory obligation to provide food to its workers. At a time when there was acute food shortage in the country, the tea companies were compelled to issue rice to workers at subsidised rates. While the government in Assam agreed to the industry's proposal to give cash compensation to workers when the estates had no rice, the United Front government of West Bengal "refused even to discuss the matter with us". "We were ordered," said Mr Wallace, "to make rice available at any cost, and were consequently obliged to maintain a substantial part of our requirements from outside India at exorbitant prices. Throughout the year, our workers in north Bengal received their full ration of one kilogram per adult per week, while their less fortunate brethren in Calcutta were, at one stage, and that for quite some time, reduced to a ration of 400 grammes. In addition, we supplied, without interruption, 2.26 kgs of atta per adult per week". Mr Wallace pointed out that the industry purchased rice at prices up to Rs 250 per quintal while its average selling price to its workers was only Rs 43 per quintal. To those who asked why the industry did so, Mr Wallace's answer was: "Would you, knowing that police protection was at that time not available, have been prepared to subject management, often in isolated areas, to the inevitable demonstrations and possible assault that would have followed the non-issue of rice?" Mr Wallace's plea for relieving the industry of its responsibility to supply foodgrains and for permitting it to introduce cash conversion deserves favourable consideration by the government in view of the imperative need to help the industry to reduce its cost of production.

Meanwhile, the government must adopt other measures to enable the industry to improve its competitive capacity. It has pointed out that the last reduction in export duty benefited only a small percentage of tea, the value of which is between Rs 8 and Rs 15 per kg. Mr Wallace said that this fact was immediately brought to the notice of the Government of India, and in its memorandum, the association had denied certain reports that had appeared in the press to the effect that the industry was happy with the government's latest move. This, incidentally, shows how the association is not helping its own cause by not resorting to prompt and proper publicity. But that gives no excuse to the government to ignore the industry's plea for relief for the common and medium teas. The association's appeal to refund the excise duty on the tea exported and to withdraw the surcharge of 20 per cent on excise duty imposed in 1963 also merits sympathetic response. It should be remembered that the competitive capacity of our tea industry is no longer as strong as it was until recently and that Ceylon still claims to lead the world in tea exports.

It is true that our tea exports have consistently earned a higher unit value than those of Ceylon, despite the shipments of smaller quantities. But this position cannot be maintained unless the government promptly gives more relief especially to the common and medium teas. Nor can the industry continue to function as "a welfare state within a state," providing cradle-to-the-grave security virtually to all its workers. The amenities provided to its workers (the industry claims that it is the largest employer in India) include subsidised foodgrains and houses, free fuel, use of land for grazing their cattle, nurseries and creches for their children, medical services and, above all, facilities for family planning. With justifiable pride, the chairman of the association said that its record in family planning in north-east India "is not only the finest in the country but compares very favourably with the results achieved elsewhere in the world". He revealed that the birth rate in the association's estates, which was 43 per thousand in 1960, had fallen to 31 per thousand by the end of 1966, the fall being 4 per thousand in that year. In some estates, the birth rate reached a record low level of 28 per thousand in 1966. Mr Wallace expressed confidence that the statistics for 1967, when available, would disclose a further reduction in the birth rate. The moral may be that there are more (and better) ways of improving the standard of living of the working class than strikes and gheraos.

UNCTAD-II: A Balance-Sheet

Our Special Correspondent

THE SECOND United Nations Conference on Trade and Development (UNCTAD) ended here last week with only modest gains. On most of the controversial issues, no concrete agreements could emerge. These issues included increasing of exports of the primary, processed and semi-processed goods of the developing nations at improved, stabilised prices.

In regard to primary commodities, the developing nations, according to the Charter of Algiers, had wanted that not only the international agreements on cocoa and sugar should be concluded in 1968, but similar commodity pacts should also be reached at the earliest possible date for oilseeds and vegetable oil, bananas, rubber, tea, sisal and hard fibres. They had as well urged that appropriate action should be taken on an emergency basis in respect of iron ore, nickel, tobacco, cotton, wine, citrus fruits, manganese ore, pepper, mica, shellac and tungsten. The main objectives of pricing policy in regard to these commodities, it was suggested, should be: (i) elimination of excessive price fluctuations, (ii) raising of the earnings of the developing countries from their exports of primary products to the maximum possible; (iii) maintenance and increase of the purchasing power of the products exported by developing countries in relations to their imports; and (iv) provision of assistance by developed countries in achieving more stable and higher prices for unprocessed and processed commodities of developing countries by applying adequate domestic taxation policies.

Buffer stock techniques, as a short-term measure for market stabilisation, it was emphasised, should, where appropriate, be one of the methods adopted for international commodity arrangements. International financing institutions and developed countries, it was proposed, should participate in pre-financing international commodity arrangements. It was also urged that the developed countries and the appropriate international financial institutions should make available additional financial and technical assistance to developing countries in order to facilitate the carrying out of diversification programmes, the highest priority being given to diversification in the programmes on inter-regional, regional and sub-regional levels in the process of trade expansion and economic integration among developing countries. These diversification funds, it was suggested, should be one of the features of commodity agreements.

Eliminating Barriers

In the interest of providing greater access to the primary, processed and semi-processed products of the developing countries, it was urged that the tariff as well as the non-tariff barriers, including internal duties and revenue charges, should be done away with by the developed nations. Pending the elimination of internal duties and revenue charges, a system of partial refund should be introduced to lead progressively on an annual basis to full refund. Where products of the developing countries competed with the domestic production of the developed nations, the latter, it was pleaded, should allocate a defined percentage of their consumption of such products to developing countries; in any case a substantial share of the increase in the domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries.

It was further suggested that the developed countries should adopt measures to discourage uneconomic production of commodities which competed with those originating from developing countries and should abolish subsidies on such competing products. Another plea made was that the existing machinery for consultation on disposal of surpluses should be widened and reinforced and suitable machinery should be established where such arrangements did not exist. Unilateral application of restrictions in certain cases, it was stressed, should be avoided. In regard to substitutes and synthetics, it was suggested that special measures in the field of finance, technical assistance and marketing, including financing of research, abolition of subsidies and granting of preference should be taken to improve the competitive position of national products of developing countries that are affected by the competition of synthetics and substitutes originating from developed countries. The anti-dumping provisions, it was stressed, should be implemented with special reference to the markets of synthetic products.

International Agreements

As against these demands of the developing countries, UNCTAD-II has decided that the conference to evolve the international agreement on cocoa should be reconvened not later than the end of June. The sugar agreement should come into operation before January 1, 1969. In respect of other commodities, it favoured that further studies should be undertaken. No agreement could be reached in regard to the pricing policy, liberalisation of trade and increased access for the products of the developing nations to developed market, disposal of surpluses and strategic reserves, etc. The pleas of the developing countries in respect of buffer stocks, synthetics and substitutes and diversification programmes could also not be agreed to in their entirety.

So far as manufactures and semi-manufactures, including processed and semi-processed primary products, of the developing countries were concerned, they had pleaded that the developed nations should agree at UNCTAD-II on unrestricted and duty-free access for these products to their markets on non-discriminatory and non-reciprocal basis. If certain products were to be covered by an escape clause in the agreement on general preferences, such an action by the developed countries should be temporary in nature and it should be subject to international consultation, approval and review. The preferential system, it was urged, must be conceived in such a way and for such a duration—for 20 years at least—as to make it possible for the least advanced among the developing countries to share in its benefits. It was further stressed by the developing countries that a concrete programme should be drawn up at UNCTAD-II for the elimination of tariff and non-tariff barriers by the developed nations on these exports of the developing countries and a machinery should be established to supervise effective implementation of the programme.

A large number of suggestions had been made by the developing countries for their exports of manufactures and semi-manufactures to the socialist nations, providing for a gradual increase in the volume of exports, maintenance of remunerative and stable prices, elimination of margins between the import price of the socialist countries and their domestic selling prices, avoiding by the socialist countries re-export of goods purchased from developing nations, etc.

The conference accepted the watered down formula on this issue under which the developed countries agreed to a general scheme of preferences, but left details to be negotiated by a Special Committee of the Trade and Development Board. The question of product coverage was also left open. The first meeting of the Special Committee, the conference recommended, should be held in November, 1968, to consider the progress made by that time. The second meeting of this committee, it was suggested, should be held in the first half of 1969. By that time, the committee, it was recommended, should draw up its final report to the Board, the aim being to settle the details of the arrangements in the course of 1969 with a view to seeking legislative authority and the required waiver in GATT as soon as possible thereafter. The socialist countries, of course, accepted almost all the suggestions of the developing nations.

In regard to development aid, the developing countries wanted that each developed nation should achieve by 1970 the target of a minimum one per cent of its gross national product for "net financial flows", in term of actual disbursements. A separate minimum target, within this goal, and progressively increasing, should be established for the official component of aid flows, net of amortisation and interest payments. Further, the resources of the International Development Association (IDA) should be immediately replenished and augmented. The developed countries and financial institutions should extend and intensify their support to regional development banks. There should be no discrimination by international lending institutions against the public sector in industry. The International Bank for Reconstruction and Development, it was urged, should be made a development bank for the developing countries exclusively. The other pleas of the developing countries in regard to development assistance included: (i) development finance should be progressively untied; (ii) excess costs incurred through tying of aid should be subsidized by creditor countries; (iii) procurement in developing countries should be freely permissible, especially within the same region; (iv) external finance should be made available both for programmes and for projects and should include local costs where necessary; (v) development finance commitments should be on a continuing basis to cover plan programmes over a period of years; (vi) suitable measures should be adopted for alleviating the debt servicing burden of developing countries by consolidation of their external debts into long-term obligations on low rates of interest; and (vii) the terms and conditions of development finance should generally be softened with the ultimate objective of all the developed nations' lending to be on the terms currently applied by the IDA.

Scheme of Supplementary Finance

The second UNCTAD was also asked to negotiate an agreement for an early implementation of a scheme of supplementary finance to enable developing countries overcome unexpected shortfalls in export earnings.

The achievements of UNCTAD-II in some of these fields, of course, have been quite substantial. For instance, the replenishment of the IDA resources has been announced. The conference accepted in principle the "re-defined" target of flow of development aid. It also agreed in principle that financial assistance should be untied and the terms of aid should be softened. It, however, noted the inabilty of several developed countries to step up their development aid to the target of net one per cent of GNP by even 1972. Three countries (France, the Netherlands and Sweden) agreed to step up their assistance to the developing nations to a net one per cent of their GNP by 1972. Some others agreed that they would reach this target by 1975 and if possible by 1972. Others only agreed to endeavour towards this goal. In regard to untying of aid, the conference noted that many donor countries might find it necessary to tie their aid mainly in order to protect their balance of payments or to secure public support for their aid programmes. The developed countries, however, did not accept the suggestion that purchases through aid should be made freely permissible even within the same region. The supplementary finance scheme received general support from the developed countries, but the conference decided to remit the issue for further study to the Trade and Development Board in view of the reservations expressed by some members.

Some of the pleas of the developing countries in respect of development assistance were just noted by the conference. The socialist countries did not associate themselves with the conference decision on development aid and supplementary financing.

Most of the pleas of the developing nations in respect of shipping and "invisibles" such as freight rates and insurance, were endorsed by the conference. The conference reaffirmed the right of all countries to establish or expand national merchant marines, and asked the developed countries to consider sympathetically the requests from developing nations for aid in setting up or expanding their merchant marines within the framework of their development plans. It also urged the developed countries to consider proposals for sales of ships to developing nations on deferred payment terms and at low interest rates. The developing countries were asked to study the feasibility of developing regional or sub-regional merchant fleets.

In regard to shipping freights, the conference recommended that liner conferences should review freight rates which shippers considered too high. The liner conferences were also urged to recognise shippers' councils and to co-operate in the establishment of consultative machinery on freight rates. On insurance, the conference recommended that insurers and re-insurers should provide insurance and re-insurance facilities to the developing countries "at the lowest cost commensurate with the risks involved". It further stressed that the developed countries should continue to help the developing nations in strengthening their national insurance and re-insurance markets, in research into insurance problems and in training of insurance personnel. The aid for improvement of ports in the developing countries, the conference recommended, should

Eastern Economist 20 Years Ago

APRIL 2, 1948

The annual sessions of the Federation of Indian Chambers of Commerce and Industry have always been public events of importance. This has been particularly so in the war years, when they offered perhaps the only available and certainly the most influential non-political platform for our public men to protest against acts of political repression or war measures which were harmful to the country in the economic and other spheres. It must be readily recognized that by giving nationalist opinon an opportunity for constitutional expression of its views and demands, the Federation not only served to associate the business community with the progressive forces in the country but also played a constructive role in the crucial period of our political advance. This circumstance, however, has not been without its disadvantage. One consequence has been the increasingly political nature of the Federation's deliberations and consequently a certain measure of disharmony and even of hostility between the Government of the day and the business community. Even the issues which could have been discussed on the purely economic plane such as, for example, the sterling balances, currency inflation, etc., were debated with more attention to their political implications. This year, however, with August 15 settling the political issue, the Federation at its 21st Annual Session could devote itself to its more proper role of a commercial body concerned with issues that might properly be described as its own immediate concern.

be made available on favourable terms. The other resolutions adopted by the conference in respect of "invisibles" related to ways and means of expanding tourism as a "development industry", provision of technical assistance in the shipping field, terms of shipment and the establishment of a working group on international shipping legislation under the Committee on Shipping. The working group, it was suggested, should review the economic and commercial aspects of international legislation on shipping in order to identify areas where modifications were needed and to give recommendations concerning new legislation which had to be drafted.

In the interest of expanding global trade, the conference unanimously called for a series of measures aimed at expansion of east-west trade, on the one hand, and trade between the developing countries and the socialist countries, on the other. The countries participating in east-west trade were asked to continue efforts towards the expansion of their trade and, at the same time, to ensure that this expansion did not unfavourably affect the trading possibilities of the developing countries. The socialist countries were asked to expand and diversify their trade with the developing countries and to grant preferential conditions for the products of the latter. For their part, the developing countries were urged to grant to socialist countries "conditions for trade not inferior to those normally granted to the developed market-economy countries". The conference also called upon all member states to support and give effect to the "principles governing international trade relations and trade policies conducive to development" which were adopted at UNCTAD-I. The UNCTAD Board was asked to set up a machinery for consultation on problems relating to the principles.

In a "Concerted Declaration", the conference affirmed that trade expansion, economic co-operation and integration among the developing countries would make an essential contribution towards their economic development. The developing and the socialist countries declared their readiness to aid efforts of the developing countries in this field. "Appropriate institutional arrangements" within UNCTAD were recommended.

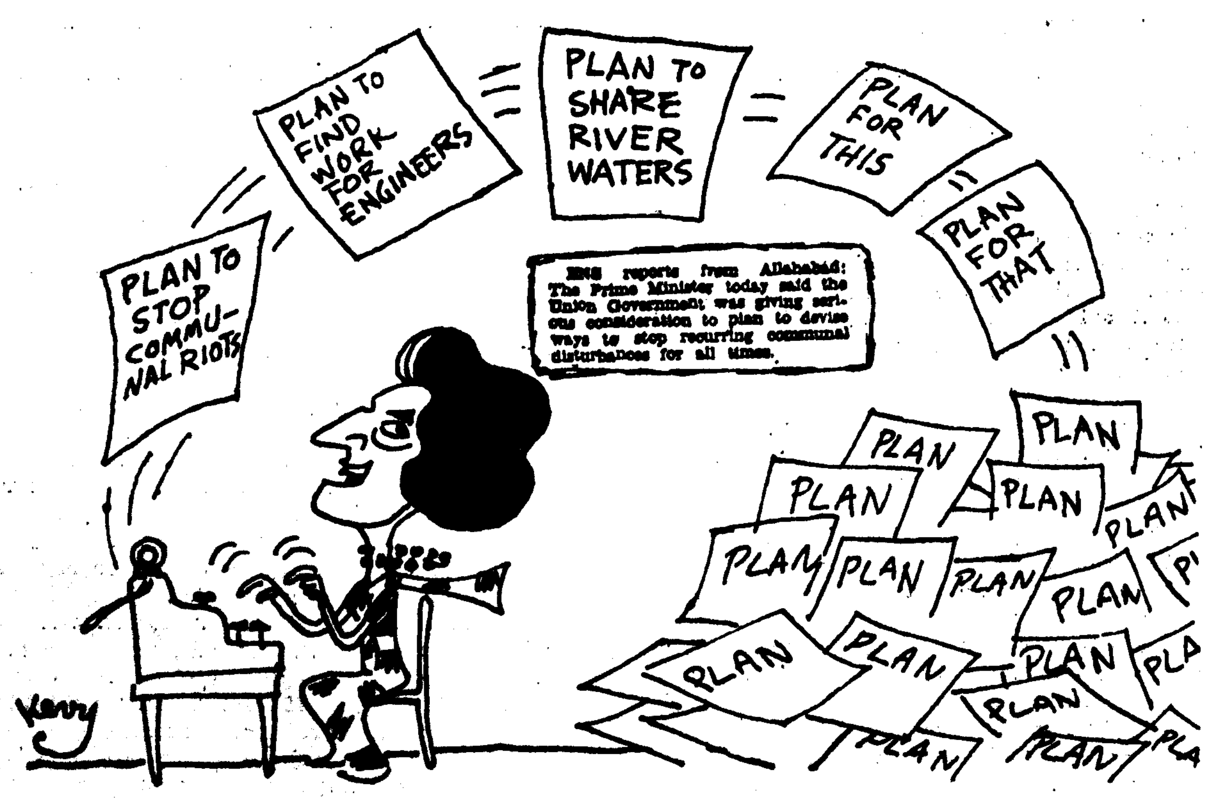
Realising that the land-locked position of many developing countries affected their trade and economic development, the conference recommended that the developed countries and international financing organizations should provide special action to help develop transport and communication facilities designed to overcome the handicaps of the land-locked developing countries. It decided that the land-locked situation should be considered as a factor in determining the criteria for identification of the least developed among the developing countries.

As part of a review of UNCTAD activities, the conference adopted a resolution citing the need for specialists in techniques of export promotion, marketing, packaging, shipping and insurance, and it requested the UNCTAD Secretary-General to work out, with the other bodies of the United Nations, a programme of training in the various fields involved in the expansion and diversification of the trade of developing countries.

Combating Hunger

In a declaration on the world food problem, the conference called for intensified efforts by developing countries, developed countries and international organisations to combat hunger and malnutrition affecting half of mankind. The developing countries were urged to pay special attention to their agricultural sectors. It was recommended that they should carry out the necessary reforms, training programmes and technical improvements in agriculture. The advanced countries were urged to strengthen their aid to countries which were making efforts to modernize their agriculture. Food aid, it was suggested, should be provided on a fair and just basis among the developed countries, as an interim measure, in such a way as not to affect the productive capacity of the food-deficit countries.

The conference adopted a resolution, submitted by 49 delegations, that the United Nations General Assembly should amend its resolution governing the membership of UNCTAD so that South Africa could be suspended "until it shall have terminated its policy of racial discrimination and until that fact has been duly confirmed by the General Assembly".



PLAN HOLIDAY? NEVER!

Bhatsai Water Supply Project

SHRIKRISHNA VANJARI

A TEAM of the World Bank visited Bombay city some time ago and discussed with the state government officials the Bhatsai river water supply project and other alternative projects for augmentation of Bombay city's water supply. The project report had been earlier forwarded to the Government of India for transmission to the Bank with a view to securing the necessary assistance for meeting foreign exchange requirements for the project amounting to Rs 121.28 lakhs as against the total cost of about Rs 67.20 crores. It would, therefore, be interesting to review briefly here some of the salient features of this project.

Bombay city occupies a position of unique importance in India's national economy. In the State of Maharashtra, that accounts for 36.19 per cent of value added by manufacture in the country, Greater Bombay city accounts for 46.98 per cent of registered factories, 67.84 per cent of productive capital, 72.82 per cent of output and 77.23 per cent of value added by manufacture in the entire state.

The concentration of industries and density of population in Bombay city, create complex and formidable problems of traffic congestion, housing and essential needs of water supply. Even with extension twice of the city's territorial limits with inclusion of the suburban areas and the plan recently formulated of creating metropolitan areas for dispersal of population and industries, the acute congestion is not relieved.

An idea of the sustained trend of population increase taking place in Bombay city could be had from the fact that the city's population increased from 4.15 million in 1961 to 4.60 million in 1965. The rate of increase is about 125,000 a year. The population projections place the figures at 5.9 million in 1971, 6.7 million in 1976 and 7.5 million 1981. The Bombay Municipal Corporation has been continuously augmenting the city water supply by taking up project after project, from time to time, to increase the water supply, but the gap between supply and demand continues to widen. A sizable project for augmentation of water supply generally takes seven to eight years to implement and it, therefore, becomes necessary to plan well in advance in calculating requirements of supply in the near future. The corporation has no doubt already taken up some projects, but, even so, the augmented supplies would still be found inadequate. This situation should explain the need for early implementation of the proposed Bhatsai project.

Demand Breakdown

At present, four lakes, namely, Vaitarna, Tansa, Vihar and Tulsi, provide an assured supply of 223 million gallons per diem (MGD), Vaitarna being the biggest with 108 MGD. Out of this, 210 MGD could be brought to the city following losses and consumption en route. The existing needs of the city population of 4.6 million on the basis of 40 gallons per day per capita works out to be 310 MGD. Out of this quantity, domestic supply amounts to 180 MGD and industries require half the amount, i.e., 60 MGD. As much as 3 MGD is diverted to a large floating population living in unauthorized hutments, while public utilities such as parks and gardens, flushing of roads, sewages and fire-fighting, etc., require 18 MGD. And losses at 12½ per cent of total water supply amount to 37½ MGD. On the basis of these requirements, the shortfall as such is about 95 MGD.

The Bhatsai river is a tributary of another river named Kalu which is intended to be utilised for a later project. It is located in Shahapur taluka of Thana district adjoining Bombay city and rises at an elevation of 3,000 feet on the western slopes of the Sahyadris. It runs about 22 miles up to the proposed dam site. Shahapur town is located at a distance of about 14 kms from the dam site and about 90 kms from Bombay city. The river does not possess a perennial flow and the monsoon flood waters are going to be utilised for the project.

The Bhatsai river valley is mostly hilly and its head reach is covered by medium forests and steep hill slopes. This river is preferred to others because there is no large tract of cultivated or irrigated land. The submergence involves two small villages and a part of another with a population of 950 persons and only 5281 acres, mostly forest land. The culturable area comprises 670 acres. This means that the project involves no loss of agriculturally important land under cultivation and the cost of compensation and rehabilitation of the villagers involved in submergence for the lake also is lower. It is calculated at Rs 80,000.

The field surveys and other investigations of the Bhatsai project were carried out by the engineers of the Bombay Municipal Corporation in 1964. But the state government attends to preliminary works such as construction of approach roads, field camps, water supply, land acquisition and head works consisting of dam and intake arrangements. The Bombay Municipal Corporation is entrusted with conveyance, water treatment plant and distribution.

Use of Koyna Concrete

The site (of the proposed dam) selected lies in the Deccan trap area and has been inspected and approved by the Geological Survey of India. It is located just downstream at the confluence of the Bhatsai and Chorni river, a tributary of the Bhatsai. A narrow gorge and sound exposed rock is available in the river bed for the dam site. The dam across the river will have a height of 252 feet and the use of concrete rubble would appear suitable, the proportion of rubble being 35 per cent. The rubble mixed in Koyna dam construction was larger in size than the usual rubble and special equipment had been imported. Apart from the tests carried out earlier that proved that the Koyna concrete was stronger than ordinary concrete, the recent earthquake has further established the structure being completely shock-proof. It is proposed to use the Koyna equipment which would reduce expenditure on foreign exchange.

There is an average run-off from the catchment area of 150 square miles up to the dam site which is estimated at 2,15,806 million gallons. The catchment area measures 149.92 square miles and lies in the high rainfall zone ranging between 140 and 180 inches. There will be a centrally-located spillway with five gates of 40′ x 25′ and an intake tower that would be located in the lake basin in the vicinity of the dam from which the conveying conduits could take off. The live storage in the reservoir will be 22,927 mcft and dead storage 10,579 mcft.

The total cost of the Bhatsai project is estimated at Rs 67.20 crores. It is made up thus: Rs 115.95 lakhs for preliminary works; Rs 162.35 lakhs for land acquisition; Rs 1,463.41 lakhs for head works; Rs 2,990.00 lakhs for conveyance; Rs 350.00 lakhs for filtration; and Rs 1,638.29 lakhs for distribution. In addition to Koyna equipment, some more, of the value of Rs 121.28 lakhs, will have to be imported. Similarly, Rs 13 crores will have to be spent on imports of steel plates not locally available in adequate quantities. Some other materials also will have to be imported.

Under the conveyance system of the project, the supply from the Bhatsai lake will be brought to the outskirts of the city, that is, Mulund, by laying two prestressed concrete pipe-lines of 2.5 metres in diameter each. Beyond this point, trunk inlet mains of the same size will be laid to carry the water to Bhandup and Chembur from which tappings would be given to various service reservoirs from where supply will be distributed into zones with the laying of outlet mains. The entire city area will be divided into 16 zones. As many reservoirs exist or would be constructed. This means that the entire distribution system will be well-integrated without Bhatsai having a separate system. The plan, in addition to effecting economy, would assure adequate supply at the required pressure thus improving the entire distribution system and removing the existing inequalities and hardships experienced by the citizens.

From the calculations of actual cost of water obtained on the basis of estimates of cost of the Bhatsai project, it is found that, taking the existing rates of sale of water by the Municipal Corporation for domestic and industrial uses, the project is found to be more than self-supporting. As the estimates were framed on the basis of pre-devaluation rates and prices generally have shown a tendency to increase, necessary adjustments will have to be made and the estimates revised accordingly. But that does not appear to affect the position of the project proving itself self-supporting.

Utilisation of Foreign Aid

VIRENDRA AGARWALA

IF INDIA'S three five-year plans have achieved any success, no small credit for it is due to all those countries and institutions which have made financial resources available to meet our foreign exchange requirements. The total foreign aid received by India amounted to Rs 4798 crores on March 31, 1967. India was able to utilise until June 1967 only one-third of the $900 million non-project assistance provided for 1966-67. The Planning Commission has opted in favour of annual plans largely because India was not in a position to utilise aid on a large scale.

The central objective of our economic policy is to build a self-generating economy by 1975-76. Therefore, we as a nation are in a hurry to acquire self-sufficiency at least in terms of essential items of consumption. External assistance for the first five-year Plan constituted only 5 per cent of the total outlay, for the second and third five-year Plans; its share was raised to 19 per cent and 23 per cent respectively.

On the eve of Independence, this country had sterling balances worth Rs 1516 crores. The Government of India not merely used up these balances but further borrowed Rs 201.67 crores for the first Plan, Rs 1456.40 crores for the second Plan and Rs 8269.70 crores for the third Plan. During the second and third Plans, utilisation of foreign aid was only 52 per cent and 64 per cent respectively. The Soviet aid has largely remained unutilised. At present every Indian—man, woman or child—is in debt to foreign countries up to Rs 100 per head. What matters is not what volume of aid is made available to us but how far we are in a position to utilise it profitably.

It is widely known that the unfavourable gap in our foreign trade has been rapidly widening. After the devaluation of the rupee, this gap has grown from Rs 300-400 crores to Rs 800 crores a year. At present, the planners have to choose between self-reliance at any cost or continued dependence on borrowed money. The net contribution of aid to productive capacity depends, in the last analysis, on the overall policies pursued by the recipient country. The impact of foreign aid in creating additional capacity extends far beyond the point where it is applied. Also, the creation of capacity in some lines may have a greater growth potential than in others. Since 1956-57 when this country faced its first serious foreign exchange crisis after embarking upon grandiose planning, foreign aid has helped cover a major part of the payments gap, without which it would not have been possible for this country to realise a substantial increase in its rate of investment. The import of foodgrains, the bulk of them under the PL 480 programme, has played an important part in stabilising foodgrain prices since 1957-58. It is unwise to assume that the import of foodgrains under PL 480 has adversely affected agricultural production. In fact, foreign assistance has made a useful contribution in increasing the productive capacity of agriculture through its participation in river valley and irrigation projects. More important than in irrigation has been the contribution of foreign aid in helping to enlarge the power potential of the country.

Foreign assistance is mainly intended to meet the foreign exchange requirements of development programmes which cannot be met by the country's export earnings. Recourse to foreign borrowing, however, results in an increase in the external debt of the country. The recipient country then must arrange its economic development so as to enable it to redeem the debt and eventually free itself from dependence on external assistance for its foreign exchange requirements. The committee on "Utilisation of External Assistance" headed by Dr V. K. R. V. Rao in 1963 had presented a useful analysis of the procedures for the negotiations, allocation and disbursement of external assistance and of the problems encountered by the private sector in its search for foreign technical collaboration and investment. Practically all the 25 recommendations were accepted by the government. Similarly the government has generally accepted the 18 recommendations of the Mudaliar Committee on foreign collaborations subject to reservations on five of them. The acceptance of the suggestions of both these committees has not brought about any of the expected results and valuable foreign exchange continued to be squandered on such projects which do not yield an adequate return.

Closing the Gap

In view of the 11 per cent (or $189 million) drop in India's total exports during the twelve months following the devaluation of the rupee, the Commerce Ministry is currently planning to take several steps to close the gap between imports and exports. It is recognised that India will have to import more than it can export for some years to come. It is a pity that the export performance of 59 priority industries which were allowed maintenance imports on a liberal basis has not brought about fruitful results. Adding to the Ministry's concern is the fact that traditional exports also registered a steep decline during June 1966-May 1967. It is true that exports of some items did pick up during the post-devaluation year. The highest increase has been in iron and steel, leather and leather manufactures, and fish and fish products. This trend shows that our earnings could be improved through diversification of exports.

The outlook for increased foreign aid for the rescheduling of India's debt repayment is far from bright. The World Bank has already warned that payments of amortisation and interest on external debt by developing countries such as India are growing at a rate faster than the increase in their exports. India's leading aid-givers are having financial difficulties of their own and this is bound to be reflected in the aid coming to us this year.

The unfavourable gap in India's foreign trade in 1950-51 was around Rs 50 crores only. It increased to about Rs 480 crores in 1960-61 and to about Rs 800 crores in 1966-67. The failure of agricultural crops in 1965-66 and 1966-67 particularly aggravated the balance of payment situation. Devaluation of the rupee brought another shock to the Indian economy. The interest which is payable during the current year is estimated at Rs 141.47 crores against the principal repayment of Rs 167.49 crores. In such circumstances, we have no other alternative but to realise that IDA type of loans which involve easy terms of repayment are suitable for us.

Trading with the Philippines

K. K. G. NAMBIAR

THERE IS considerable scope for India to develop economic relations with the Philippines. With the launching of her industrialisation programme on a large scale, the Philippines today needs various types and varieties of capital and intermediary goods. Her import of machinery and equipment and semi-processed raw material formed about 17 per cent and 47 per cent respectively of the total imports in 1965. Her principal suppliers are countries in the west, particularly the USA, and Japan in the east; trade with India is small as the following figures indicate.

(Rs lakhs)

		India's export to the Philippines	India's import from the Philippines
1962-63	...	28.97	17.91
1963-64	...	43.29	45.96
1964-65	...	88.79	48.10
1965-66	...	26.57	9.81
1966-67 (Post-devaluation)	...	68.43	55.57

Such industries as machine tools, textile machinery manufacture, iron and steel tubes and pipes which are encountering recessionary trends in India have a growing market in the Philippines. At present, the Philippines imports them from Japan, the USA, West Germany etc. With the active assistance of foreign countries and the World Bank, the Philippines has undertaken the construction of giant thermal power stations which will increase the demand for power generators and other electrical equipment. Since units in India manufacturing power generators and electrical equipment, especially Heavy Electricals Ltd at Bhopal, have experienced difficulty in finding markets for their products, efforts to persuade the Philippines to place reliance on India for meeting its requirements in this field will be rewarding. Further, with the Philippines planning to set up a large number of cement factories and paper mills, the demand for cement and paper plants will also increase substantially.

Inprovement of Communications

The Philippine government has earmarked huge funds for the expansion and improvement in her communication system. This should offer considerable scope for India's cable industry and those industries engaged in the production of communication instruments. At present, the Philippines' imports of metal, electrical goods and machinery goods from India hardly constitute one per cent of her total imports of such items. The Philippines also offers excellent opportunity to Indian entrepreneurs to put up joint ventures. Cement, paper, textiles, machine tools etc. are some of the fields that could be selected for the purpose. The Investment Incentive Bill introduced by the Philippine government offers various incentives to the foreign investors. The bill makes no distinction between Filipino and foreign capital. Incentives in the form of credit priority tax deferments and other basic guarantees are extended.

One hopes that the FICCI delegation which had recently visited the Philippines has taken notice of these areas of actual and potential opportunities for fostering closer economic and trade relations between India and the Philippines and communicated them to the respective industries and their associations so that they might launch necessary efforts to tap the market. The FICCI may also persuade some of the Indian industrialists to put up joint ventures in the Philippines. Such ventures will help to cement the economic and trade relations between the two countries and have to be looked upon as India's contribution to the economic development of the Philippines rather than treating them as business projects for immediate gain. An inter-governmental trade agreement will certainly help; our country could import primary products such as copra, coconut oil etc, in exchange for its industrial goods and raw materials.

Japanese Inroads

Japan is making great inroads into the Philippine market. It has been offering various types of economic and technical assistance to the Philippines and in recent years the Philippines' trade with Japan has increased several times. Japan periodically despatches survey teams to the Philippines to find out the market for various industrial and consumer articles as also to assess the social, economic and natural climate for putting up joint ventures. The Philippine government itself, in recent years, initiated a number of measures to establish close economic collaboration with Japan. Japanese businessmen are allowed to establish regular business offices, agencies and branches in the Philippines instead of merely maintaining liaison offices as was done before. Six Japanese firms have been granted licences to operate businesses in the Philippines. They are the first Japanese companies to resume business in the Philippines since World War II.

The present efforts by India and the Philippines to develop serious economic relations between them tie up with the policies which are being followed by President Marcos, who assumed office on December 30, 1965, and has been adopting pragmatic attitudes in regard to domestic and foreign affairs. In the field of foreign relations, he was quick to re-establish diplomatic relations with Malaysia; that relations had been broken off by the previous regime following the dispute over North Borneo. President Marcos also took active interest in strengthening the trade and economic relations between the countries in the region and as a first step towards this, an organisation called the Association of the South-East Asia (ASA) was formed between Malaysia, Thailand and the Philippines. The ASA meeting in June last held in Manila approved a list of 21 commodities to form the base of a free trade arrangement. The ASA is also considering whether there should be an immediate elimination of customs duties and other charges on a common list of items, or gradual reduction, or a combination of both, based on the classification of goods.

A trade agreement was signed on March 26, 1968, by the governments of the Philippines and India. The broad details are given elsewhere in this issue.

Almost 90 per cent of the Philippine imports came from the USA and about equal percentage of the Philippine exports went to that country till recently. The Laurel-Langley agreement, granting preferential rates to dutiable goods traded between the Philippines and the USA was signed in 1955. Under this agreement, the Philippines could fix a graduated tariff upon imported American products, while exports to the USA would be liable for slower imposition of regular duties. The agreement is valid till 1974. Until then, Americans are assured of equal opportunities with citizens of the Republic of the Philippines to the extent that these are reciprocated by respective state and federal laws in the USA. Of late, however, a demand for the outright abrogation of the L-L agreement is being voiced by a section of the Filipinos and bowing to the pressure of public opinion, President Marcos has appointed a committee to study the agreement in all its aspects.

There has also been a change in the rigid attitude of the Philippines towards the communist countries. Till recently, Filipinos were prohibited from entering communist countries and territories. Similarly, persons with communist leanings were also prohibited from entering the Philippines. This attitude has now sufficiently changed. Recently, a group headed by Senator Katigbak, was allowed to go to China and a Filipino scientist, Dr Tan was permitted to study in Moscow. The Philippine Chamber of Industries recently sent a trade delegation to Russia and other east European countries. The main objective of the delegation was to find out mutual markets and the Soviet structure of loans, investments, deferred payments etc. The USSR has agreed to grant preferential treatment to the Philippine goods entering Soviet territory and has also offered turn-key factories and machineries on deferred payment plan at 3.5 per cent interest per year.

When President Marcos took over the administration, the economy of the Philippines appeared to be in a bad shape. In fact just 20 days after he came into power, President Marcos spoke of a nation "in crisis", of "suffering" industries and of the financial horizon "shrouded in darkness" and of "deteriorated morale" in the business community. Control, dollar subsidies through exchange allocations at the old exchange rate of two pesos for one US dollar and protection against imported goods gave great impetus to the Philippines' manufacturing industries in the early 'fifties. In 1950, the manufacturing index rose by 21 per cent and in 1955 by 18 per cent. In the 'sixties, the prospects for manufacturing industries changed drastically, decontrol having removed the built-in profit as well as protection against competing imports. Thus between 1960 and 1965, the annual gain in the manufacturing index varied from 3 to 8 per cent. In 1963, the manufacturing industry experienced its worst year with the index showing a growth of 2.8 per cent.

Dynamic Measures

The Marcos regime therefore launched important measures to pull the economy from its stagnancy and impart to it a new sense of vigour and dynamism as also to instil confidence in the business community. The tight credit policy of the previous regime which had greatly sagged the morale of the business community and had also resulted in slow economic growth was the first economic problem that came in for attack as a priority measure.

The four-year Plan ending in June 1970 calls for an increase in the gross national product at 1960 prices of approximately P 3.4 billion (P 16.6 to 20 billion); an average annual rate of growth in the GNP of 6.3 per cent; a 4-year increase in per capita national income of between 1.5 to 2.3 per cent and gross domestic investment of P 15.4 billion of which 97 per cent would be in fixed investments. Of the total investment outlay required, around 3 per cent (P 12 billion) would come from foreign sources in the form of either direct investment or loans.

The government has also taken a major initiative to mobilise internal resources. Under the four-year economic programme, the administration submitted to the Congress a total of 17 tax proposals expected to generate directly or indirectly about P 550 million in additional revenue. Important among the proposals are: increasing the rates on corporate income to 25 per cent and 35 per cent (from the present 22 per cent and 30 per cent); decreasing the rates on personal incomes in the P 6,000-P 58,700 range and increasing those on incomes above that range; raising the specific taxes on bunker oil and other petroleum products; suspending the capital gains tax for four years; and abolishing the Tobacco Subsidy Fund and in its place appropriating P35 million annually to support the trading operations of the Philippine Virginia Tobacco Administration. Exemption from taxes hitherto enjoyed by a number of industries, including sugar, plywood and veneer manufacturing and food processing would be withdrawn. The exemption enjoyed by these and other industries eroded the government's tax revenue close to P 200 million in the period 1963-65.

A number of schemes to accelerate the pace of industrialisation have been launched. Filipinas Cement Corporation will more than triple its daily production capacity of 16,000 bags to 50,000 bags. Republic Cement has increased its capacity from 30,000 bags/day to 50,000 bags/day while Marinduque Mining Co. has a capacity of 30,000 bags/day of the Island Cement Brand. Cement production which was 9.5 million bags in 1955 increased to 35.7 million bags in 1965. The output in 1966 is estimated to be around 37 million bags. The capacity utilisation of the cement factories in the Philippines is of the order of 90 per cent.

Paper Mills

Rustan Pulp and Paper Mills, Inc. has signed an agreement for the construction and installation of machinery for its pulp and paper mills. The mill has a rated capacity of 60 tons of white lauan pulp and 15 tons of pulp from abaca waste. The Philippine subsidiary of Caltex will expand its crude processing capacity to 58,000 barrels a day. The P450-million Iligan Integrated Steel Mills will be completed by early 1970. The plant will have an initial capacity of 250,000 tons of steel products. Union Carbide Philippines, Inc. has already completed its expansion and integration programme as a result of which there will be in operation a modern battery plant. Among the newly completed projects are a zinc rolling mill, an agricultural chemical formulating plant producing insecticides, an acetylene black plant and a polyethylene industrial bag plant.

Under the Marcos regime, the Philippines is poised for a rapid and significant economic and industrial transformation. The recent senate elections, in which pro-Marcos Nationalists won the majority has offered overwhelming mandate for significant economic and social reforms. After the senate election, President Marcos declared that "with this new mandate, we will be able to make decisions which would have been considered politically unpalatable." The invitation that has been extended to India by the Philippine trade and goodwill delegation to play a significant role in the Philippines' economic development has to be fully availed of for a purposeful Indo-Philippine economic co-operation and alliance.

FROM THE CAPITAL'S CUPBOARD

Nitrogenous Fertilizers: New Developments

THE FERTILIZER Corporation of India (FCI), it is learnt, has submitted to the union Ministry of Petroleum and Chemicals a proposal for setting up a coal-based fertilizer plant at Korba for producing annually 229,000 tonnes of nitrogen. It has as well undertaken a feasibility study for putting up another coal-based plant at Kothagudam. The Korba proposal is said to be receiving the earnest attention of the government in the interest of utilizing large coal reserves for producing nitrogenous fertilizers. If the production of fertilizers from coal is found to be not very uneconomic, the scheme might be accepted in view of the fact that significant shortages of indigenous naphtha will develop after 1971. Imports of naphtha or liquid ammonia for the growing fertilizer industry then will entail a heavy cost in foreign exchange.

Messrs Philips Petroleum have finally communicated to the government that they are not proceeding with the Haldia project for which they had taken out a letter of intent. A consortium of French and Polish interests—Ensa-Polimex—is now said to be looking into this project for a possible collaboration with the Government of India.

The Trombay expansion scheme, which was till lately expected to materialise by 1970-71, is said to have been delayed. The US Agency for International Development (USAID), which is expected to finance the foreign exchange cost of this project, had suggested some changes in its scope. These changes, of course, are said to have been made, but a formal clearance from USAID is awaited.

The clearance of the ambitious proposal of the Tatas to set up a fertilizer-cum-marine complex at Mithapur is also expected to take time. The Planning Commission, which has been entrusted with the task of having a second look at this scheme, proposes to obtain, before submitting its observations to the government, the opinion of some independent authorities on the likely demand for fertilizers in the mid-'seventies.

The Kandla fertilizer project, in the co-operative sector, is expected to be cleared by the end of this month. Some minor details of the project are being sorted out in consultation with the USAID, the Co-operative Fertilizer International and the Bank of America. Meanwhile a 12-member board of directors for the venture has been nominated by the government under the chairmanship of Mr Udaybhansinhji, the chief of the National Co-operative Union of India. The plant will produce 3,820 tonnes of naphtha-based fertilizers daily.

BOKARO STEEL

According to the latest assessment of the Ministry of Steel, Mines and Metals, the first blast furnace of the Bokaro steel plant will be commissioned in September, 1970. The first stage of the plant for the manufacture of 1.7 million tonnes of ingot steel and 880,000 tonnes of foundry grade pig iron is expected to be commissioned by the end of December, 1971. The first stage production of ingot steel is to be rolled out into 1.3 million tonnes of finished steel. The finished products will be: (i) hot rolled light plates, sheets and coils—789,000 tonnes; (ii) cold rolled sheets and coils 425,000 tonnes; and (iii) additional hot/cold rolled sheets or aluminised sheets 150,000 tonnes. This production is expected to wipe out completely the deficit of about one to 1.2 million tonnes of flat products expected in the light of the revised demand estimates of steel products prepared by the National Council of Applied Economic Research. Without Bokaro, imports of flat steel in 1970-71 are expected to cost about Rs 90-100 crores.

As a result of the diversification that has taken place in our engineering industry during the last two years, the import content of the Bokaro plant is now expected to be only about one-third of the total equipment required. Nearly 90 per cent of the structural steel works are expected to be obtained from indigenous sources. In the case of refractories, as much as 96 per cent of the total requirements will be met by local suppliers.

STEEL EXPORTS

The Steel Exports Committee is expected to meet this month to finalise the export target for 1968-69. Indications are that the target will be fixed at about 950,000 tonnes of pig iron and one million tonnes of steel.

The 1968-69 outlook for exports of Hindustan Steel (HSL) is said to be bright. Already the HSL has entered into a contract for the supply of 600,000 tonnes of steel to the USSR during 1968, 1969 and 1970. The categories and specifications of steel to be exported in 1968 have been finalised; the USSR will be supplied 75,000 tonnes of beams, 115,000 tonnes of channels and 10,000 tonnes of angles, valued, in all, at about Rs 13.6 crores. The HSL has offered to supply even larger quantities of steel to the USSR, but negotiations in this regard have not yet been completed.

Recently, the HSL has secured orders from New Zealand for the supply of 14,000 tonnes of oil pipes against stiff competition from Japan. Another order for 1,100 tonnes of pipes has been secured from Australia. A large order for export of rails to Iran is understood to be under consideration. Iran has already placed an order for 32,000 tonnes of rails. In all, it is understood to be requiring nearly 120,000 tonnes by the end of next year. The HSL is also understood to have secured an order to supply 16,152 tonnes of rails to Turkey. Nigeria as well, it is learnt, has shown interest in importing rails from here. No contract, however, has been signed with it so far.

ALUMINIUM INSTITUTE

Pending the establishment of a central design institute for metallurgical industries (covering both ferrous and non-ferrous metals), in respect of which assistance from the Soviet Union is being negotiated currently under the Indo-Soviet Credit Agreement of December, 1966, the union government has decided to set up a central institute for aluminium. The producers of primary aluminium in both the public and the private sectors will co-operate in the setting up of this institute by pooling the indigenously available knowledge. The National Metallurgical Laboratory and other such agencies will also be associated with this institute.

RAILWAY LOADINGS UP

With the railway loadings in February last showing a marked increase over those of the corresponding period a year ago, the revival of the economy appears to be well under way. In this month, the number of wagons loaded with goods traffic (originating and transhipment) went up by 6.08 per cent on the broad gauge and by 1.14 per cent on the metre gauge as compared with the figures for February 1967. The order of increase in the preceding three months, in which also loadings were higher compared with the corresponding months a year ago, was much lower, ranging up to three per cent in the case of broad gauge and 1.5 per cent in the case of metre gauge. A significant fact about the railway loadings this year has been that thanks to bumper crop and consequent increase in the local availability, the foodgrains and pulses traffic continues to be substantially lower than a year ago. The increase in the movement of cement, jute manufactures, textiles, chemical manures, etc, has been pronounced. A part of the increase in the goods traffic carried by the railways is attributed to improved exports.

FROM THE PRESS GALLERY

Home Ministry Under Fire

Our Parliamentary Correspondent

NEW DELHI: Friday

WITH THE taking up of the ministry-wise demands for grants this week, the Lok Sabha deliberations on the central budget entered their second stage. The demands for grants of the Home Ministry were adopted by the House and those of the Defence Ministry were inconclusively debated. The Upper House passed the budgets of the states of Haryana, Uttar Pradesh and West Bengal along with the respective appropriation bills.

Contrary to expectations, the eight-hour debate on the demands for grants of the Home Ministry turned out to be a patchy and scrappy attack on the government. With the relations between the centre and several states (in which the non-Congress governments had been dismissed or voted out of power recently) being strained, fissiparous tendencies raising their head in the garb of communal and linguistic trouble and the law and order situation in various parts of the country remaining difficult, it could be expected that the attack of the opposition on the central leadership should be incisive and pointed. Not that these issues were not raised. But their handling by the opposition left much to be desired. It was only occasionally that the debate reached high watermarks.

Rambling Discussion

In a rambling discussion, the most forceful speeches were made by the Jana Sangh leader, Mr Atal Behari Vajpayee, and the nominated member Mr Frank Anthony. Mr Anthony was particularly harsh on politicians. The "petty, unprincipled and self-seeking" among them, whom he styled as the "scourge of the nation", he opined, were responsible for the "institutionalisation" of castes and communalism. The politicians, Mr Anthony deplored, were not only dominating but also contaminating the society. They, he thought, had repeatedly failed to discharge their basic responsibilities; they were found dragging their feet on every challenge to the accepted democratic norms. Mr Anthony bitterly criticised the "recession of secularism". Mr Vajpayee felt that his party was being mischievously blamed for some of the communal incidents. He declared that the Jana Sangh was for complete protection of minorities, but minorities should also fulfil their obligations. He called for a national approach to the national problems such as the linguistic issue. Some members, however, expressed the fear that the country would disintegerate if the present language policy was continued. Several members accused the Home Minister of trying to subvert the Constitution to suit the narrow party ends and criticised the Congress for installing minority governments in Punjab, West Bengal and Bihar. It was indeed intriguing why Congress members did not hit back with equal force specially when the opposition parties too had indulged in the same game in West Bengal and Bihar. Several members, including the DMK spokesman, Mr S. Kandappan, urged that the centre-state relations should be thoroughly overhauled. Over-centralisation, they argued, was the main cause of the country's malady. The PSP spokesman, Mr S. N. Dwivedy, called upon the Home Minister to act in a non-partisan manner in enforcing the Constitution. He pleaded for the strengthening of the centre in the interest of maintaining the unity of the nation. Mr Dwivedi also dwelt at length at the explosive situation in Assam. "This region", he felt, "had become the honeycomb of foreign agents". The handling of inter-state boundary disputes by the Government of India came in for a good deal of criticism.

In a spirited reply—of course, couched in conciliatory tones—the Home Minister, Mr Y. B. Chavan, talked of the grave dangers to the country from the triple menace of regionalism, linguism and communalism. Each of these, he pointed out, was potentially capable of destroying the secular, democratic character of the nation. Mr Chavan spoke with passion on the need for developing a national approach, cutting across the narrow party interests, to counter these challenges. Referring to the grave instability that has recently gripped eastern India, the Home Minister warned that subversive and rebellious elements were working in this area in concert with China and Pakistan. The situation needed a close watch. In this context, he also spoke of the need to approach the problem of reorganisation of Assam with utmost caution. Speaking of the centre-state relationship, Mr Chavan saw no scope for the change in the basis envisaged in the Constitution. The basis set out in the Constitution, he said, was the best suited to the needs and the temper of the nation. For the unity of the country, he observed, it was necessary to have a strong centre just as it was important for the soundness of the country as an entity to have strong healthy states. He chided those who wanted the centre to be weakened. Defending the language policy, the Home Minister assured the House that steps were being taken to avoid undue burden on non-Hindi speaking areas in the matter of services. The language issue, Mr Chavan stressed, should be solved on the basis of a national consensus. This was what the government was aiming at, he added.

During the debate on the demands for grants of the Defence Ministry, speaker after speaker stressed the need to strengthen the defence forces, specially the air force and the navy. The emergency officers, it was suggested, should not have been released as the threat from China and Pakistan still continued.

Social Control Over Banks

The Lok Sabha this week referred the Banking Laws (Amendment) Bill to a 20-member Select Committee of the House. The bill seeks to extend social control over the banking industry. The Select Committee has been asked to report to the House within a month. Most of the members who participated in the debate on the bill, criticised it either on the ground that it did not go far enough or on the score that it was unnecessary in view of the existing powers of the Reserve Bank of India. Some members alleged that the bill would suppress the trade union activity among bank employees. The Swatantra Party made a vain bid to obstruct the bill on the plea that it was unconstitutional and offended article 31(a) of the Constitution. Sponsoring the motion of reference to the Select Committee, the Minister of state for Finance, Mr K. C. Pant, proposed that the Select Committee should examine whether the time-limit within which the directors should be called upon to repay the loans and advances granted to them or to their firms could be reduced. The bill stipulates a three-year period for the repayment of such loans and advances in case they are not governed by contracts. Mr Pant felt one-year period would suffice for this purpose. Mr Pant also expressed himself in favour of effecting some marginal relaxations in the provisions of the bill without altering its basic structure and increasing the scope of directors to exercise influence in the grant of loans and advances to themselves. Countering the criticism that the bill was anti-labour, Mr Pant explained that the relevant clause was not intended to curb trade union activities of bank employees but to prohibit those activities which interfered with the normal working of banks. The referring of the bill by the Lower House to a Select Committee of its own came in for severe criticism by both the opposition and the treasury benches in the Rajya Sabha. The members in the upper House felt that they had been bypassed. By referring the bill to its own Select Committee, the Lok Sabha, they alleged, had not appreciated the functioning of the Upper House. The leader of the Rajya Sabha, Mr Jaisukhlal Hathi, admitted that the Lok Sabha has erred probably because it was a money bill. But this did not satisfy the agitated members. Some members suggested that the Speaker of the Lok Sabha should be approached and prevailed upon to reopen the issue so that the bill could be referred to a Joint Select Committee of the two Houses.

The Minister for Food and Agriculture, Mr Jagjivan Ram, announced in the Lok Sabha this week that it had been decided to include Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir and Delhi into one single food zone in view of the bumper rabi crop this year. The formation of this enlarged zone had been recommended by a recent conference of the Chief Ministers of these states, but the government decision is a departure from the recommendation of the conference in the sense that some of the Chief Ministers had not favoured the inclusion of Delhi also in this zone. With the formation of the enlarged food zone, all restrictions on the movement of foodgrains from one part of the zone to another are being withdrawn. With the inclusion of Delhi in the zone, the present rationing shops are proposed to be converted into fair price shops. Mr Jagjivan Ram also announced the procurement prices for wheat for the 1968-69 season. As against different prices for different states, the new prices have been fixed on a country-wide basis. The new procurement prices are: common/Mexican wheat Rs 76 per quintal; Superior wheat Rs 81 per quintal. These prices are somewhat higher than the present procurement prices in Madhya Pradesh and Rajasthan. In the case of Uttar Pradesh, they are lower. The status quo has been maintained in the case of Punjab and Haryana, notwithstanding the plea of the two state governments that the prices ought to have been raised substantially. The Food and Agriculture Minister also announced that the procurement target for wheat for the 1968-69 season had been fixed at two million tonnes. A vigorous drive would be conducted in the states concerned to maximise procurement so that an adequate buffer stock could be built up. The movement of gram and barley, Mr Jagjivan Ram announced, would now be free throughout the country. The restrictions on the movement of maize, bajra and jowar from Punjab, Haryana and Rajasthan had also been removed.

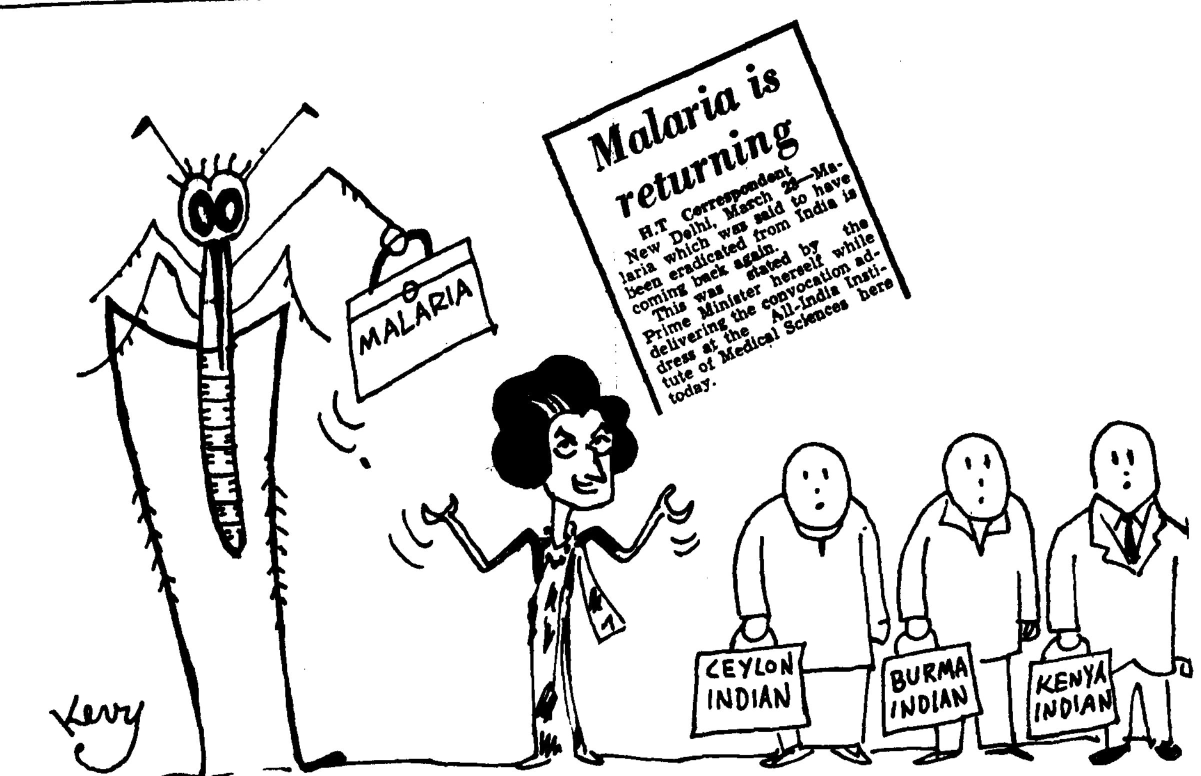
The Minister of State for Food and Agriculture, Mr A. P. Shinde, assured the House that necessary arrangements were being made for the movement of the bumper rabi crop from Punjab by rail. Steps were also under way to supplement this arrangement with the movement of grains by road over short distances. The transit storage capacity in Punjab and Haryana and the nearby consuming centres such as Delhi was being augmented to cope with the heavy rush of movement in the peak periods. Mr Shinde, however, admitted in the Rajya Sabha that the kharif procurement target of seven million tonnes of cereals had not been achieved; up to now only three million tonnes of foodgrains had been procured. He, of course, was hopeful of achieving the wheat procurement target.

The Rajya Sabha debates on the budgets of the West Bengal, Uttar Pradesh and Haryana states were quite acrimonious. The opposition accused the union government of not tolerating non-Congress governments in these states. The Congress members rebutted the charge by pointing out that the differences among the opposition parties themselves were responsible for the fall of the non-Congress governments.

Question Hour

Parliament Session in South: The Minister for Parliamentary Affairs, Dr Ram Subhag Singh, told the Lok Sabha on March 28 that the centre had asked the Mysore Government to provide information on the feasibility of holding a session of Parliament in Bangalore. The Chief Minister of Mysore had promised to render full co-operation in this regard. The arrangements to be made for the session included arranging of two chambers, microphones, tape-recorders, simultaneous translation device and security and accommodation for Ministers, Members of Parliament and staff. In respect of the expenditure to be incurred, Dr Ram Subhag Singh stated that the estimated expenses by way of travelling allowance, excluding the expenses of the Parliament Secretariat, had been roughly calculated at Rs 20 lakhs for a month-long session and Rs 29 lakhs for a two-month session.

State Farms: The Minister of State for Food, Mr A. P. Shinde, told the Lok Sabha on March 28 that a final decision



All roads lead to India.

on setting up a corporation to run the state farms of the centre was expected to be taken within a couple of months.

Heavy Water: The Prime Minister, Mrs Indira Gandhi, told the Lok Sabha on March 27 that the government had decided to produce in the country the heavy water required for the second unit of the Rajasthan atomic power station. For atomic plants to be built in the future also heavy water would be made within the country.

Atomic Power: Mrs Gandhi also told the Lok Sabha on March 27 that the Tarapore atomic power station, near Bombay, was expected to be completed by October this year. The first unit of the Rajasthan atomic power station, which was scheduled to be commissioned by 1970-71, she said, might be delayed by a few months.

Kutch Tribunal Cost: The Minister of State for External Affairs, Mr B. R. Bhagat, informed the Lok Sabha on March 27 that the Government of India had so far contributed $160,000 in foreign exchange as India's share towards the remuneration expenses of the members and the Secretary-General of the Kutch Tribunal and the other costs of the tribunal.

Foreign Collaborations: The Minister for Industrial Development and Company Affairs, Mr Fakhruddin Ali Ahmed, spelt out in the Lok Sabha on March 26 the broad guidelines for foreign collaborations in joint industrial ventures. He explained that the majority participation was allowed to foreigners in exceptional cases. Majority participation was permitted in two circumstances: first, when investment required was such that it could not be secured except by agreeing to majority participation by foreigners, and, secondly, where the technical know-how was not available in the country. It was the policy of the government to encourage indigenous know-how. Where this was available, no foreign collaboration was admitted.

Fertilizer Prices: The Minister for Petroleum and Chemicals, Mr Asoka Mehta, told the Lok Sabha on March 25 that a substantial reduction—up to 40 per cent—could be expected in fertilizer prices as soon as the new plants went into operation. Mr Mehta denied that there had been any pressure from the World Bank on the government to extend the deadline for the 1965 concessions for the fertilizer industry under which the freedom to fix prices and arrange distribution of their products without state control was granted to fertilizer manufactures for a period of seven years from the start of commercial production. The deadline expired on December 31, 1967. Explaining the government policy after the expiry of the deadline, Mr Mehta stated that the fertilizer plants which might be licensed after December 31 could not be denied the freedom to fix prices of their products and to arrange their own distribution in terms of the December 1965 concessions as it would amount to discrimination against them. They however would enjoy these concessions till the time the last of the units which were licensed before December 31, enjoyed these concessions. Mr Mehta expected that most of the new fertilizer plants would go into production in 1970, 1971 and 1972. The requirements of the country, he hoped would be entirely met from internal production by 1972.

Narmada Waters: The Minister for Irrigation and Power, Dr K. L. Rao, said in the Lok Sabha on March 25 that if one more round of discussions with the chief ministers of Gujarat, and Madhya Pradesh failed to produce an accord on the division of the Narmada waters, the union government would refer the dispute to a tribunal for final settlement. The proposed tribunal, Dr Rao added, would consist of a judge of the Supreme Court and a few assessees, as required by the Act relating to inter-state river disputes. Referring to the dispute over the Krishna-Godavari waters, Dr Rao said that the union government had been trying to settle this matter by negotiations. If these negotiations failed in the next few months, the government would take similar action as in the case of the Narmada waters.

WINDOW ON THE WORLD

Manning the Khe Sanh Gold Defences

JOSSLEYN HENNESSY

I

THE U.K. BUDGET IN WORLD PERSPECTIVE

LONDON :

THE UK's socialist government today mans the Khe Sanh defences of the world's monetary system. Roy Jenkins' tough budget amounts to an outstanding holding action in the struggle to maintain the system in its present form. Far more than the maintenance of the $2.40 is at stake. Let us first examine what Roy Jenkins has done and then attempt to see it in its world context.

I said here on March 22 that allowing for a 4 per cent growth rate, the Chancellor needed to mop up £800 million. He has, in fact accepted the OECD estimate of 3 per cent and his tax changes should reduce demand by £500 million in a full year which, with a £300 million cut in public expenditure gives him £800 million, i.e., he has done more than I guessed that he might. This swingeing rise in taxes does not mean a Stop because it is meant to leave room for as big a Go as the level of world trade will allow.

Roy Jenkins has made a substantial and courageous contribution to (1) setting the UK on the road back to prosperity, (2) stabilising the international monetary system, and (3) giving Washington a lead and facilitating the President's task. Had he, as I feared on March 22, raised only a limited amount by taxes and relied mainly on the flimsy reed of an incomes policy to restrict demand, speculation against the pound and the dollar would have exploded.

Political Pressures

It is true that the Chancellor found it necessary to yield to political pressures by calling for some pretty stupid incomes policy measures. A statutory incomes policy could conceivably be of some use if it forbade nationally bargained across-the-board wage increases but allowed individual factories to bid up wages of types of workers actually needed. Instead, the budget allows a 3½ per cent ceiling on all wages, with the result that strong big unions are likely to get nationally bargained 3½ per cent increases and that local factory level increases, camouflaged as "productivity bargains", will be added on top of the national 3½ per cent. In order, however, to insure against this likelihood Roy Jenkins has raised taxes to £923 million in a full year, thus taking away with one hand what the other may have given. It is also true that a larger reduction in public expenditure would have been less painful to consumers and much more beneficial to industry, but Labour's traditional resistance to cuts in public expenditure narrowed his choice as to the amount to be raised, although not his choice of the means.

In this connection I drew the attention of a Labour minister to the comment of a leading Swiss banker who had said that while Mr Jenkins had more than fulfilled his promises to the IMF in clamping down on consumption, he had created no new incentives to exporters to go all out for big profits. The minister's reply was reassuring and significant. "Look", he said, "we've just saddled consumers with £923 million of new taxes—the biggest increase ever made in the UK. If, at the same time, we'd cut the higher slabs of income-tax which affect executives, the masses would have cried bloody murder! Not to have increased income tax at all was—for the Labour party—an extraordinary act of faith. If this budget eventually creates expansion, we will reduce income-tax. We are well aware of its disincentive effects. But how can we say that in public—at this stage?". I need hardly say that this minister belongs to the group around Roy Jenkins—Labour's right and centre, including Anthony Crosland (President of the Board of Trade), Ray Gunter (Minister of Labour), James Callaghan (Home Secretary) and Denis Healy (Defence)—who believe that the government should go all-out to make the mixed economy work, and that unless they bring this off the Labour party has no future. Against them, the left passionately supports Paul Johnson who, in his capacity as editor of the "New Statesman", is the keeper of the traditional orthodox socialist conscience (I outlined his views here on March 22).

The international reaction to Roy Jenkins' budget has strengthened his position in the Labour party and initiated what must still be regarded as a long-term task—the restoration of the party's morale. The future cohesion of the party, and the attitudes of the trades unions towards rising prices combined with the government's policy of wage restraint, must remain unanswered questions for some time to come.

The budget is a tremendous first step towards correcting the fundamental weaknesses of the UK economy and the balance of payments, which have bedevilled domestic policy and the smooth working of international trade and exchanges for the past ten years.

In addition, from the world viewpoint, the budget provides the framework essential for the success of devaluation and the first reactions of international monetary and economic leaders suggest that the British Chancellor's authority will be enormously enhanced in international conferences, such as the all-important meeting of the Group of Ten Finance Ministers which met in Stockholm on March 29. Roy Jenkins will be the first British Chancellor since the Tory, R. A. Butler (October 1951 to April 1955), who will be able to talk to his international peers with the prestige of one who has shown himself ready to seek to transform pious aspirations into economic deeds. He will be entitled to ask for more reflationary policies in Europe without raising sour or ironic smiles.

If the international trading world had regarded Roy Jenkins' budget as inadequate, a world flight from sterling and the dollar would have followed. But if he has managed to quieten fears about the UK balance of payments, the US deficit remains starkly with us. The longer the US deficit continues, the more dollars will end up in other central banks and the more tempted will those banks be to ask for gold from Fort Knox, especially if gold is worth more than $35 in free market. What that price will be depends on the credibility of President Johnson's policies.

II

WHAT PRICE GOLD?

In what I take to be a laudable desire to quieten widespread anxieties, the London "Economist" (March 23) lends its great authority to what seem to me some contradictory propositions. On the one hand, everyone must agree that it would be the biggest single economic tragedy for Europe and the world if the USA sought to cure its deficit by over-severe deflation, import restrictions and exchange controls. But when the "Economist" goes on to argue that the US expenditure in Vietnam is a minor political worry, one's eyebrows rise.

The facts are that the official US payments deficit is $3,572 million. According to Dr Franz Pick, editor and publisher of the influential monthly "World Currency Report" (suitably highly priced at £10 a copy!) the true deficit is nearer $15,000 million. The difference arises from three factors which no US government could admit to exist.

Black Market Dollars

1. The Vietnam war officially costs $30,000 million a year in domestic and overseas expenditure. The OECD survey lists total US overseas military expenditure as $3,694 million in 1966. Dr Pick calculates that about £2,000 million of this is spent in Vietnam, most of it finding its way through Saigon back to the Euro-dollar market in Europe, the major free international market in expatriate dollars. The dollars come chiefly through France, because of France's long established connections with S-E Asia. Other dollars move north through Hanoi to China, and to Macao, the centre of gold shipment, legitimate and smuggled, in the Far East. In addition, there is a large flourishing Vietnam black market in US war supplies, including building materials, pharmaceuticals, food, jeeps, cars, guns, ammunition and dollars—none of which figures in the official deficit figures.

2. Nor do the official payments figures include the $1,000-1,500 million of narcotics imported into the USA, for which the US pays China in gold, which Peking is delighted to export via Laos.

3. Dr Pick estimates that Americans, who are legally debarred from buying gold, have bought about $1,000 million through Mexico and Canada where gold buying is legal. This continues. And there is also a continuing capital flight of dollar notes to Canada, Mexico and Europe. Important evidence that Americans loom large in the gold rush is that they own a sizable chunk of the Euro-dollar market. The owners of Middle East oil royalties are also big gold buyers. In Switzerland, West Germany, and France, it is as easy to buy gold as to buy a chapatti in West Bengal. The port of Dubai, on the Persian Gulf, has attained its position as the world's third largest gold market and the chief supplier to India.

Doubtful Figures

Not surprisingly, Dr Pick doubts the official US gold figures, which must now be down to well under $11,000 million. After deducting IMF loans, foreign currency loans (estimated at $1,047 million) and the gold guarantee on US bonds bought by the Bundesbank, Dr Pick reckons the remaining US hoard at $8,000 million.

Everybody of course denounces "speculators", but the rush into gold is not an attack on the dollar as such, but a defensive reaction on the part of hundreds of thousands of individuals, industrial companies, exporters, importers, and others whose interests, as well as the interests of millions of others dependent on them, are at stake. The day that President Johnson restores confidence in the dollar, speculation will vanish overnight.

To the "Economist", the "main reason for the so-called deficit has been the massive rate at which American business has been investing abroad... This investment brought American technology and efficient management techniques into Europe, to the great advantage of an old world on the wrong side of the technological gap". In the light of the figures I cite above it is difficult to accept that US investment has been the "main" reason for the deficit—"important" Yes; "main" No. The "Economist" continues that, in the process of the USA's huge foreign investment, interest-bearing dollar securities have naturally been created, "which most Europeans and others were very willing to hold—until a combination of some political worries over Vietnam (... a minor part of the trouble) and of the absurdities of the one-way option arising from the fixed $35 an ounce price for gold (... a major part of the trouble) made it appear more profitable and sensible for a fair number of people to switch out of these securities into gold". I suggest that this is a slanted way of saying that the world has within the past five years begun to suffer from a bigger supply of dollars than for a variety of reasons it was prepared to hold. People surely cannot be blamed for beginning to fear that the Vietnam drain would prove bottomless. And other people may reasonably believe that while the export of US investment and techniques are splendid up to a sizable point, beyond that point they threaten the eclipse of ever-increasing number of national enterprises and ultimate US domination of whole ranges of national industries.

I rejoice, however, to see that at long last the march of events appears to have converted the "Economist" to the view (propounded in this column long ago) that it is madness to insist that gold shall be the only commodity in the world to retain the price set for it in 1934. (see this column e.g., May 26, June 9, 1967, January 19 and 26, 1968, to go back no further).

How Gold Standard Worked

I go along wholeheartedly with the "Economist's" explanation that under the gold standard exchange rates were kept stable by having one commodity—gold—with a fixed price in terms of all others. Critics of the gold standard maintain—contrary to the statistical evidence—that the gold standard was deflationary because liquidity could only be expanded in line with the rate at which additional supplies of gold were mined. In fact, however, there was never a "shortage of liquidty" because (1) the world had confidence in the Bank of England's sober management of the gold standard, and (2) the foundation of the system was that the price of gold was always fixed well above the level that it would have attained in a free market. Because the price of gold was deliberately kept artificially high, prospectors searched continuously to increase its supply. The system did not therefore in practice lead to any obvious shortage of liquidity. The "Economist" believes that the great depression of the 1930s was an exception to this. Against this, I suggest that the system broke down under the dislocations of World War I, mistakes made thereafter in trying to restore it, followed by protectionist and "autarkic" follies. The statesmen of the post-World War II era benefited by the lessons of these previous disasters to initiate international monetary co-operation at Bretton Woods, from which have sprung the IMF, the World Bank, the OECD, and other instruments. It should, however, be recalled, as the "Economist" does, that in so far as our inter-war difficulties were caused by a shortage of liquidity, the shortage ended when the price of gold was raised to $35 in 1934. The central banks also underpinned the stability of the system by promising that the price of gold would (a) not come down and (b) not go up as long as it was artificially far higher than in a free market.

In recent years the pound, and then the dollar, have been in trouble, first, because the UK and the USA have been printing more pounds and dollars than the world wants. And it should never be forgotten that under no system whatsoever—be it Triffin, Bernstein, Stamp, Rueff, or even Keynes—has it ever been suggested that a country can run persistent deficits year after year. Secondly, the reserve currencies have hit trouble because they have ignored the rule that the monetary value of gold must be kept high above its free market price. Taking into account present and industrial demands for gold, it is conservatively estimated that rising costs of production, against a selling price of only $35, will within

ten years have closed down two-thirds of the non-communist world's existing output.

III

WHAT HAPPENS NEXT?

All this supports the conclusion that gold at $35 an ounce is a holding operation of strictly limited duration.

What happens next? What is the solution?

The eminent monetary authority, Professor H. G. Johnson of London, argued in the London "Times" of March 18 that the root of the present crisis lies in the illogicality of pegging currencies to gold at a fixed price because, he said, nature does not guarantee that additional supplies of gold will be forthcoming at precisely the rate required for the world's growing needs. International reserve money should therefore be created by international credit co-operation. This implies the creation of a disinterested world authority. But can you see the 140 odd countries of the world agreeing to entrust international credit creation, with all its potential repercussions on their national plans and growth rates?

The fashionable Triffin and Bernstein plans had assumed that the operation of the world monetary system would be entrusted to the Group of Ten, but this has already been abandoned in favour of the IMF in which no fewer than 105 countries are represented. If this happens, can one not foresee the development of the African, Asian, Latin American, European, and Soviet lobbies and voting alliances which paralyse the UNO? Should one not expect either roaring world inflation or increasing contraction of world trade bedevilled by regional alliances and bilateral agreements?

Fortunately, we need not take off into this fearsome unknown, because we have the semi-automatic gold standard and we know how it works.

If the price of gold were boosted to a realistic level in the world price structure, if, say, it were approximately doubled, the USA's gold stock, the nominal value of which (official statistics) is $11,000 million would become $22,000 million. The USA could repay the dollar balances held by those foreign central banks which have no gold clause and which (before the gold rush) totalled $13,000 million. This would not entail deflation because the USA would still have a gold stock of $9,000 million. The creditor countries would lose their dollar balances but receive gold of equivalent value. No deflation here either.

The reserves of the countries with convertible currencies which have gold stocks but no currency balances to pay (i.e., almost all countries except the USA and the UK) amounted (until recently) to $18,000 million. To double this nominal value would release a further $18,000 million in gold and could spread inflation if no action were taken. The obvious action would be to use part of this surplus to repay the sterling balances. (This is the Rueff plan).

The UK's gold stocks are about $2,750 million against repayable sterling balances of some $11,300 million. A rise in the price of gold will not therefore solve the sterling balance problem, but the creditor countries could use part of their revalued gold in a long-term loan for the repayment of such sterling balances as had not been voluntarily funded by their owners.

All this would, in one blow, liquidate both dollar and sterling balances and allow a return to gold for the settlement of international balance of payments differences.

No More Gold Hoards

By thus freeing the world from the monetary crisis which has overhung us so long, we should unfreeze hoarded gold all over the world. (At the time of the 1931 sterling devaluation hoarded gold poured out of India, adding substantially to her real wealth in goods and services). This world wide emergence of hoarded gold would substantially reduce long-term rates of interest and lead to a massive increase of resources diverted from barren gold to productive use.

Moreover, whereas the creation of paper credit is subject to unpredictable human errors and is a standing invitation to the inflation-proneness of politicians, the gold standard is self-stabilising. If prices rise, gold production becomes less profitable and this exerts a deflationary influence on the supply of monetary gold and hence of money. If prices fall, new gold production is stimulated, exerting reflationary influence on the supply of money.

As another eminent authority, Professor Patrick Borman says in "Germany's Dilemma: Inflation and the Balance of Payments" (Yale Univ. Press 1964) the aims of monetary policy before 1914 were free trade and international solvency. Under the gold standard, the maintenance of convertibility secured long-term confidence, at home and abroad, in the value of the national currencies, and don't forget that this, in turn, minimised the need for international gold transfers. Although gold standard countries had to make do with extremely small monetary reserves, no one complained of a "shortage of international liquidity". The maintenance of convertibility secured, moreover, long-term equilibrium in balances of payments, because internal policies were modified, as necessary, to avoid threats to convertibility arising from imbalances in international movements of goods and capital.

Balance of payments equilibrium, in turn, was the necessary condition of continued participation in the international division of labour that never ceased to multiply wealth until overtaken by the dislocations of World War I and its aftermath of nationalism and protectionism.

Today's so-called "imbalances"—the huge and useless surpluses of several EEC countries and the USA's deficits—could not have arisen under the gold standard.

Convertibility meant that a central bank had to watch the ratio of its reserves to its liabilities. Decreases in reserves were countered by bank rate changes etc. Such restrictive policies by checking the domestic boom, of which the worsening trade balance and outflow of gold were the symptoms, simultaneously restored internal and external equilibrium. And note that these actions of one central bank automatically aided other central banks (without the need of dramatic overnight flights of harassed central bankers between capitals) seeking to stem the influx of gold: because gold earns no interest central banks sought—how the times have changed! --to minimise holdings of gold above their reserve ratios.

The gold standard thus avoids one of the curses of the existing "gold exchange standard", i.e., the periodical slithering of national currencies into "under-valuation" (Cf. the D Mark) or "over-valuation" (Cf. the £ before November 18) which provoke speculation against their present parities with all its attendant dislocations of international trade.

Asian Development Bank Makes Headway

THE ASIAN Development Bank announced last week a net income of US $2,098,471 for the period November 24, 1966 to December 31, 1967. The bank's gross income and expenditure for the period amounted to $4,551,566 and $2,453,095 respectively.

The bank's annual report for 1967 indicates satisfactory progress in administrative and organisational arrangements in the first year of its activity. The bank's first loan equivalent to US $5 million to the Industrial Finance Corporation of Thailand was authorized by the board of directors in January 1968. Similarly, the bank's first technical assistance mission which was sent to Indonesia in the last quarter of 1967 to study the problem of improving food supplies in the country submitted its report to the Government of Indonesia in January 1968.

Another major undertaking initiated by the bank during the year, the Asian Agricultural Survey, was completed in February 1968 and the survey reports were made available to the bank in March 1968. Switzerland became on December 31, 1967 the thirty-second member, and the thirteenth non-regional member, with a subscription of $5 million to the capital stock of the bank. The deliberations of the board of directors, in the first half of the year, were inevitably concerned mainly with organisational aspects. In the second half of the year, the board concentrated more on the operational and financial aspects of the bank, including guidelines on ordinary operations, guidelines for procurement under bank loans and uses of consultants by the bank and its borrowers.

The president undertook during the course of 1967 a series of visits to member countries "to gain a more comprehensive understanding of the prevailing economic climate in each country" and "to provide an ear for each nation's views on the bank and to secure competent personnel for the bank". Inclusive of journeys to Australia, New Zealand and Western Samoa in the latter part of 1966, the president visited eighteen regional members and thirteen non-regional members (including Switzerland) by the end of 1967.

At the end of 1967, the bank had a total staff of 187 (excluding the president and vice-president) of which 55 were professional and the remainder non-professional personnel. Staff members have been recruited from 20 countries, comprising 14 regional countries and six non-regional countries. It is expected that the total number of staff by the end of 1968 will reach approximately 270.

At the inaugural meeting, the board of governors authorized the president to spend up to the equivalent of US $400,000 to meet the administrative expenses of the bank for the interim period from November 24, 1966 until the budget for 1967 was approved. The actual expenditure during the period from November 24 to December 31, 1966, was $101,431. The total administrative budget for 1967, taking into account the supplementary provision for the bank's first programme of technical assistance, authorized for Indonesia in August 1967, was $3,090,100. The administrative budget for the financial year 1968 providing for expenditure amounting to $5,901,800 was approved by the board of directors in December 1967.

Generous Contributions

The Articles of Agreements require that half the paid-in capital should be paid in gold or convertible currency and the balance in the currency of the member, the payments being due in five equal annual instalments. The instalments for 1966 and 1967 have so far been paid towards the capital subscriptions. Certain members have generously made their local currency payments in a manner that has augmented the bank's resources available for investment.

Of the investments made by the bank as at the end of 1967, 53.4 per cent was held in government paper and treasury bills and 46.6 per cent in time deposits with commercial banks.

The rise in money markets since May 1967, which reached the highest levels in half a century, has brought a significant income increase over the initial expectations of the bank. At the same time, administrative expenses turned out to be lower than originally estimated, thereby augmenting the net income. In May 1967 the Government of the United States offered to the bank up to $250,000 for technical assistance purposes; the board of directors approved the acceptance of

this offer as outlined in the relevant exchange of letters dated June 23, 1967.

In August the bank was informed of the willingness of the Government of Canada to contribute to the bank Canadian $600,000 by way of technical assistance; of this sum, Canadian $100,000 would be given in grants for individual experts or training programmes and Canadian $500,000 in the form of 50-year interest-free development loans to finance pre-investment feasibility studies in the identification and preparation of suitable projects through contracts with professional Canadian firms.

During 1967 the Government of the United Kingdom informed the bank that if the latter needed help in the field of technical assistance and made an approach to it with specific requests, the United Kingdom government would help with technical assistance in the form of feasibility surveys, individual experts, etc

The board of directors, in December 1967, authorized the establishment of a consolidated account in respect of resources available for technical assistance under Article 19 (ii). As at the end of December 1967 utilization of these contributions amounted to the equivalent of US $34,098.

Major Task

During the year, the first and major task was to set up a nucleus of staff in the departments of operations and of economic and technical assistance and to make a start on the delineation of an operational strategy that could facilitate and maximize the bank's potential in assisting developing member countries. By mid-1967 the stage was set for the bank to undertake the first series of reconnaissance missions to developing member countries. While these visits are envisaged on a regular basis to all potential borrowing countries, the first reconnaissance missions covered Afghanistan, Ceylon, China, Indonesia, Korea, Laos, Malaysia, Nepal, the Philippines, Singapore, Thailand, Vietnam and western Samoa (visits to Laos and western Samoa took place early in 1968). In practice, both the countries visited and the bank have found such missions a useful prelude to the dialogue that needs to be fostered and sustained between each developing member country and the bank.

As regards loan applications, apart from a number of enquiries of an extremely tentative nature, 12 loan proposals were received during the year; by the end of the year, detailed appraisal had been completed in respect of one application and recommendations thereon were submitted to the board in December 1967 for consideration and decision in January 1968. As for other applications, substantive discussions were in progress relating to various aspects of the proposed projects. As processing work on these applications is intensified, it is expected that, during 1968, there will be a substantial increase in activities relating to lending.

One of the main arguments for the establishment of regional development banks has been that such institutions, by their very proximity to the field of action, should be in an advantageous position to appraise realistically the rationale underlying economic choices regarding priorities made by potential borrowers, as well as to make useful suggestions in this respect to developing member countries. It is important for the bank to make it clear that, in considering proposals for financing, it will be guided not by an a priori emphasis on one or the other sectors of economic activity, but by considerations relevant to a rational choice as between different investment opportunities; it would follow that, over a period, the range of the bank's activities in the different economic sectors would become substantially diversified.

The problem of interest rates to be charged on the bank's ordinary loans was considered by the board of directors and, in the present context of high interest rates throughout the world, it was recognized that this was a matter that would require constant review.

The bank's policy on procurement was considered by the board of directors and a set of guidelines designed to reflect the bank's current thinking on procurement was submitted for its approval. The board of directors also considered a set of guidelines on the use of consultants by the bank and its borrowers. The bank's services in the field of technical assistance available to developing member countries are expected to include project indentification and preparation, sectoral development studies, policy formulation and institution building.

It was essentially the stress laid on agricultural development by responsible authorities of developing member countries of the bank, and a recognition of the complexities in this sector, that led the bank to institute a regional survey of agriculture—the Asian Agricultural Survey. The main purpose was to facilitate the future operational role of the bank in the sphere of agriculture through a study of the key problems of agriculture in the region and by recommending, for consideration by the board of directors, courses of action appropriate for the bank in promoting agricultural development. The survey was also designed to formulate the background against which potential contributors could appraise the need for contributions to special funds for agricultural development proposed for the bank.

The survey was organized at two levels: (a) a consultative committee, and (b) a technical and economic survey team. The members of the survey team visited fifteen regional developing member countries and Japan for periods of one to three weeks in each country over the latter part of 1967. The survey team's reports together with the observations of the consultative committee were submitted to the bank in March 1968.

Transport Survey

Late in December 1967, the bank received a request from the Government of Malaysia on behalf of south-east Asian countries to undertake a regional transport survey which would, inter alia, study the needs of transport development in the south-east Asian sub-region, determine the directions in which future transport development should take place, and make recommendations on an investment programme, based on economic priorities of projects. The request made by the Government of Malaysia arose from a conference held in Kuala Lumpur in September 1967 where representatives of Brunei, Indonesia, Laos, Malaysia, Philippines, Republic of Vietnam, Singapore and Thailand agreed on the formulation of the request to the bank. The conference and the communication from the Government of Malaysia also made reference to the establishment of special funds. In February 1968, the board of directors authorized the undertaking of work to evolve the framework and terms of the regional transport survey.

The Government of Indonesia, which is implementing a programme of rehabilitation and stabilization, made a request to the bank for technical assistance in devising measures to improve food production and food availability during the current stabilization period. After discussions with Indonesian authorities, the framework for the programme of the proposed technical assistance mission was agreed upon. The mission commenced work in October 1967, and completed its assignments in early January 1968; its report was sent to the Government of Indonesia on January 22, 1968.

During the inaugural meeting in Tokyo, statements made by number of governors reflected the need for the bank to be given the means to make loans on easier terms than in the case of ordinary operations. These views were based on an assessment of the limited debt servicing capacity of many potential borrowers in the region. The governments of Japan, the United States, Canada and the Netherlands have already indicated to the bank that proposals are under consideration relating to the provision in the course of 1968 of special funds to augment the resources of the bank. Some of the other developed member countries visited by the president during 1967 showed keen interest in the evolution of thinking in the bank on this subject.

The constructive efforts that have in the past made concessional financing possible are evidence that capital exporting countries realize the need to share a portion of their prosperity with the less fortunate countries. This policy on the part of capital exporting countries can only be sustained over a period of time if the aid thus made available is properly used by developing countries to produce tangible evidence of growth. Self-help measures by developing countries are therefore important not only in themselves but also for continuing to attract such concessional financing. The Asian Development Bank can be a major vehicle for the sustained and effective deployment of resources and the responsible approach that the bank has taken in facing the problems of the region should surely establish its entitlement to some priority of access to the limited world resources available for development.

Back to Conservatism

E. B. BROOK

THE UNCOMMON number of important financial and economic international meetings that have taken place in the first quarter of this year are evidence of the violent flux in which the world economy finds itself. Relations between industrially developed and developing countries are strained almost to snapping point, the monetary systems on which the western world's economic balance is based are rapidly falling apart and the US dollar, long regarded as "almighty," and, backed by the immence US wealth, unassailable, is shown to be vulnerable.

While economic weaknesses shake the western world, unrest and political change again assail eastern Europe. With Rumania rather cockily independent, Poland assailed by youthful revolt and Czechoslovakia (the firm, grey bastion of socialist central Europe) shedding its tried, conservative communist leaders like leaves in autumn and adopting alarmingly liberal attitudes, Moscow can feel little more assured than does Washington with its gold reserves flowing away, the dollar shaky and an indeterminable and ruinously costly war on its hands in the growing excitements of an election year.

The world sees that the two great centres of west and east are not only assailable but seriously weakened, that the best they can do in a welter of bewildering challenges is to offer conservatism. Both Washington and Moscow see in refusal to move from their basic positions vis-a-vis one another and in relation to their respective associates the safest course. Both know that this policy of conservative drift cannot last but are afraid to do anything more active than allow events to overtake them and deal with them as best they can when they arise. By the one Vietnam is offered as the essential centre of all evil, by the other, China. It is worth remarking that the two strongest powers of the democratic and communist worlds find their greatest problem and most profound enemy in east Asia.

But this facade of Vietnam and of China is used by Washington as an excuse for inaction in what should be vital economic measures to redress its unfavourable imbalance in trade and by Moscow to divert attention from the open sharp divergencies in the communist world. Inaction by both centres is tacit confession of an inability to open new vistas.

Yet, with the most modern weapons being used in the war in south-east Asia, with both the mightiest powers (if not others) fully stocked with the most refined atom and hydrogen bombs and their propellants, no one really expects a world catastrophe. Resources and misfortunes are so evenly balanced between the blocs as to be an even greater deterrent from conflict than fear of collective suicide through war. Another saving factor is that, Europe having withdrawn politically from much of the outer world, it is able as never before to offer some degree of tranquillity in a disturbed world.

Tariffs between members of the European Free Trade Association (which fails to trumpet its achievements sufficiently) have been abolished well ahead of target date. The Common Market is nearing the time when its internal tariffs will have disappeared. The first tariff reductions under the Kennedy Round have been made; others will follow in July. A plan to accelerate these cuts to help the USA improve its export earnings is gaining ground but will depend for its development on decisions in Brussels and Stockholm this week.

What remains very pertinent for Europe is the position adopted by France; which means, surprising as this may still be to some, the attitude of President de Gaulle. This, possibly, should no longer be surprising, since it must be clear that much of western Europe remains basically authoritarian in structure and psychology. If there is any doubt as to how completely and how firmly de Gaulle rules France, the fate of M. Debre, the very capable Finance Minister, should have dispelled it. M. Debre spent some time in the wilderness after incurring his President's displeasure and, since coming again into favour, plays de Gaulle's political game.

'Paper Gold'

Debre shares de Gaulle's firm belief in the virtues of financial discipline but knows that de Gaulle's ardent advocacy of gold cannot be sustained for ever, that the world is going to move gradually away from gold and towards the creation of internationally accepted "paper gold" which, in the first place, would supplement the dollar and the pound as the world reserve currencies.

The surest indication that the French have realized that their gold line will not be tenable for ever, or even for very long, has been given by their strenuous efforts in the last week or two to rally support among their Common Market partners for a new line—that the Special Drawing Rights Scheme (discussed at Stockholm on Friday, March 29) has been made obsolescent by recent events and that everyone should get down to making a new beginning.

A new French scheme of IMF credit facilities backed by the gold reserves of the Group of Ten nations may be another delaying tactic specially designed to counter the Special Drawing Rights proposal, now ready for operation after four years' continuous debate. Since it will be the middle of next year before anyone can make serious use of any drawing rights there will be plenty of time for French manoeuvre and for US efforts to improve the American balance of trade. Together with the disciplinary British budget these factors should produce more stability and a growing sense of reassurance within the next two years. Any such reassurance will certainly grow more quickly and more sturdily if the present strong trend to more liberal attitudes continues to develop simultaneously in east Europe.

The moving finger writes

IF FOREIGN governments do not stop letting our government down, our ministers, I am afraid, will soon be developing sore bottoms. The British let Mr B. R. Bhagat down in Nairobi and the Americans did the same thing to Mr Dinesh Singh at the very centre of New Delhi, or, to be more precise, at Vigyan Bhavan (including its Annexe) where UNCTAD-II was held.

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Mr Morarji Desai, speaking on a famous occasion, exhorted members of the Congress Parliamentary Party to shed fear. More recently, participating in a press function in Ahmedabad, he advised journalists to be fearless in the performance of their duty. Mr Kamaraj has just cautioned government officials in Madras state against developing a fear complex. At this rate, it should not be long before there is an abundance of courage—intellectual and moral, even if not physical—in the country. Meanwhile, however, there does seem to be a shortage of this commodity in our midst. Some months ago, newspapers in the capital carried a picture of the Vice-Chancellor of Delhi University pleading with folded hands with a demonstrator on the campus to give up his wicked or wayward ways. Last week, 'The Hindu' of Madras presented on its front page a news picture showing "Mr P. Kuppuswami, Commissioner of Police (with cap), appealing to a transport worker (with stick in hand) against violence in front of the medical college students' hostel near the General Hospital". I wonder why people should complain that we, as a nation, are forgetting Gandhiji or his teachings when the spirit of non-violence is so active at least among university authorities and police officials? I am aware, of course, that Gandhiji spoke of the non-violence of the brave and not of the cowards. This, however, might be drawing too fine a distinction.

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I hope that Mr O. V. Alagesan being selected for an ambassadorship is not yet another indication of a demoralised Congress leadership intending to write off Madras state as an "unreclaimable territory" for years to come. As the gilt is beginning to wear off the DMK crown, Congressmen in that state do seem to be recapturing their fighting spirit and it is certainly not for the leaders in Delhi to dismiss this revival as of little account. It is, of course, Mr C. Subramaniam who is primarily responsible for putting heart into the Congress opposition to the DMK government. He has done this by reorganising his men promptly for carrying the war into the enemy's camp and himself leading the assault with a show of audacity which is truly impressive. For instance, he has not hesitated to give the lie twice to the Chief Minister, Mr C. N. Annadurai —once in the course of the controversy over the Tamil conference stamp and, again, when there was some discussion about an infructuous suggestion from Madras to New Delhi that the Prime Minister, who was then about to visit the Andamans, might embark from Visakhapatnam rather than from Madras where there might be trouble with anti-Hindi agitators. No wonder the DMK is after Mr Subramaniam's blood. While I have no doubt that he can take care of himself, I have a feeling that, if Mr Alagesan could have continued in active Congress politics in Madras state, it would have added to the strength of the reorganised leadership in the Madras Congress party.

* *

On the last day of the general debate on the central budget in the Lok Sabha, Mr Morarji Desai scored a neat debating point over Mr Minoo Masani, who had given some figures which turned out to be out of date with regard to over-staffing in the Planning Commission. The Deputy Prime Minister's success, however, was merely in the nature of a Pyrrhic victory for the very next day the Administrative Reforms Commission (with which Mr Desai has a special association since he was its former and first chairman) came out with thundering recommendations for cutting the Planning Commission and its budget to size.

I have heard it suggested that, since the ARC has pronounced on economy in the Planning Commission, it is only fair that the Planning Commission should be asked to investigate the expenditure of the ARC. This suggestion surely has a point. In fact, considering how the ARC has been making work for itself these months, I have been nursing an apprehension that the day may not be far off when the government may be persuaded to declare it to be a permanent body and appoint a cabinet minister to be in charge of it with several junior ministers to bolster his ego. Fortunately, even the monumental patience and tolerance of the Finance Ministry and the Home Ministry is apparently being exhausted. It appears that the Home Ministry has said, more or less sternly, that the ARC should not appoint any more committees or working groups—which have been its favourite devices for perpetuating or at least prolonging itself—and should, on the other hand, set a definite date for the completion of its work.

Meanwhile, it may be instructive to find out how much the ARC has been costing the taxpayer. Apart from Rs 77,034 spent in 1965-66, the expenditure on the ARC in 1966-67, its first full year, was Rs 18.69 lakhs as against the budget provision—and this is interesting—of Rs 12.67 lakhs. For the year 1967-68, the revised estimate of expenditure at Rs 19.93 lakhs has exceeded the budget estimate of Rs 11.22 lakhs. For 1968-69, the central budget has hopefully provided only Rs 8 lakhs, the assumption here, apparently, being that the ARC can be persuaded to call it a day some time around the middle of the next financial year. Incidentally, it may be recalled that there was some discussion about the status of the Chairman when the Commission was constituted and the point was finally settled to the satisfaction of Mr Morarji Desai, who was then not in the central government. Mr K. Hanumanthaiya of the "Vidhan Saudha" fame, who has succeeded Mr Morarji Desai as Chairman of the Commission, is, of course, not the person to fail to exploit all the advantages implied in the decision then taken. It is common talk in New Delhi that Mr Hanumanthaiya has been insisting on being treated as one with a cabinet minister's status in every detail, including the quality of furniture, carpets or other furnishings for his office. It may be that Mr Hanumanthaiya is not doing anything unusual in terms of the spirit of the times, but there is surely more than irony—a touch of tragedy perhaps—in the fact that an agency created specifically for improving efficiency and introducing economy in government should have set such false standards for itself.

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As a rule, I am not in favour of government departments going into publishing in a big way, but this need not make me withhold my appreciation from the pictorial volume, "New India", brought out by the Directorate of Commercial Publicity of the Ministry of Commerce. This is a book which it is a pleasure to handle and a delight to view. Brought out at the time of the UNCTAD session here, this sumptuous volume (price Rs 50) can well serve visitors from abroad as a window opening out on the magic seas of a nation's experience in which its past, present and future commingle in an endless pattern of moving tides. Enhancing the value of the pictorial presentation is the running text which too tells the story in arresting phrases.

V. B.

Trade Winds

INDEX OF INDUSTRIAL PRODUCTION

THE CURRENT official index of industrial production with 1956 as base will shortly be replaced by a new series with 1960 as base.

The Industrial Statistics Wing of the Central Statistical Organisation has computed the new series on the lines recommended by an ad hoc working group set up by the government for the purpose. Some of the salient features of this new series are:

By expanding the coverage from 201 items to 320 items for the monthly series and changing the base to a more recent period the index is representative of the changes in the production level of India's diversified industrial economy. In addition to the above monthly series with 320 items, a special annual index with 449 items has also been compiled including 129 additional items for which data are available on an annual, though not on a monthly basis. Weights have been allotted to different items at 3-digit level of industrial classification on the basis of value added by manufacture as per the Annual Survey of Industries of large and small registered factories. It will be seen from the above that the weighting pattern has changed mainly due to structural changes in industrial economy between 1956 and 1960. As items in machinery group are not easily identifiable in units and comparable over time, and as their quantity figures and production, are not available by their specification, they have been replaced in most cases by value figures and appropriate price deflators used. The following statement brings out the comparative results of the revised index vis-a-vis the current index:

Year	Current index (base shifted to 1960) with 201 items	% change over the previous year of current index	Revised index (base 1960) Monthly series with 320 items	% change over the previous year of revised index
1961	108.29	8.29	109.16	9.16
1962	117.43	8.44	119.68	9.63
1963	128.49	9.41	129.65	8.33
1964	136.55	6.27	140.86	8.64
1965	144.16	5.57	150.93	7.14
1966	147.92	2.60	152.39	0.95
1967				
Jan.	153.53		156.57	
Feb.	142.08		144.23	
March	152.99		156.88	
April	141.09		143.84	
May	147.54		149.52	
June	148.92		149.97	
July	150.69		153.43	

Comparatively low growth rate shown by the revised index for 1966 is due to decrease in production of newly added items in some cases, in that year, and/or change in weighting pattern, group composition, etc.

UCO JUBILEE IN DELHI

Speaking at the silver jubilee function of the United Commercial Bank held in New Delhi on March 22, the Vice-President, Mr V. V. Giri, congratulated the bank on the active role played by it during the last 25 years in the country's economic development. He exhorted banks to extend loans to farmers and small industrialists. The chairman of the bank, Mr R. B. Shah, recounted the history of the bank, highlighting its pioneering role in many fields of banking, especially foreign exchange. He said that the bank proposed to advance 10 per cent of its new deposits for agricultural operations. Until now the bank had generally advanced loans for commercial crops in Madras. Under the new scheme, it has been decided to give loans for food crops mostly and extend the facility to Rajasthan, Gujarat and Punjab. Mr Shah also announced the institution by the bank of a welfare fund with a capital of Rs 1 lakh for giving scholarships to deserving students of the bank staff. In his address on the occasion, the Mayor of Delhi, Mr Hans Raj Gupta, urged the government to give the banks some sort of subsidy or incentive as cover against the losses that they may have to incur, initially at least, for opening branches in rural areas.

INDO-PHILIPPINES TRADE PACT

The first ever trade agreement between India and Philippines was signed in New Delhi on March 26. Under the agreement, mutual exchange of goods and services for the development and expansion of commerce and diversification of trade between the two countries will be encouraged and facilitated. The agreement also lists, broadly, the commodities available for export from each country. It has also been noted that there is considerable scope for the exchange of technical training facilities in the fields in which each country has the necessary know-how, and that the existing facilities in both the countries should be utilised more intensively.

MANUFACTURE OF COMPUTERS

The know-how for the manufacture of the latest series of computers (1900) was handed over last week to the Government of India by the well-known British computers firm, the International Computers and Tabulators Limited (ICT). The union government has been allowed to make use of this know-how without any payment of royalty in whatever manner it likes. The free supply of this know-how is said to have been prompted by the consideration that the spread of the use of computers in India would open up a vast market for the ICT which through its subsidiary, the International Computers and Tabulators (Indian) Manufacturing Company Ltd., (ICTIM), is shortly going to undertake the production of the latest type computers in this country. The ICT has 60 per cent share in the ICTIM. The remaining 40 per cent equity capital of the ICTIM is owned by Indians.

The ICTIM plans to produce 30 computers in the fourth year of its manufacturing operations. From the fifth year onwards the production is expected to be raised to 50 computers a year. The first computer is expected to be turned out for test in June next year. The first computer will be delivered in August next year to Messrs Binny of Madras. In 1969, one computer may also be exported. In the subsequent three years, it is planned to export six computers per annum. Ultimately, the ICTIM will become the base for the export of ICT computers to the Middle East, Asia and Australia. The Bharat Electronics Ltd, a public sector concern, will be a major source of supply of various components for the computers to be manufactured by the ICTIM. In the first year of its operations nearly 80 per cent of the components (value) will be imported, but with the development of ancillary industries in India the import component will be gradually reduced.

More Information for Prospective Investors: The government has decided to allow companies offering shares or debentures to the public to include in their announcement in newspapers the terms of payment relating to the share issue. This information can be given in addition to the eight-point proforma evolved earlier by the Department of Company Affairs. *The intention is to arouse the interest of the* prospective investor and to induce him to ask for the full prospectus.

Sugar Manufacturers' Meet: Delivering his presidential address to the annual general meeting of the Indian Sugar Mills Association held in New Delhi on April 2, Mr V. D. Jhunjhunwala complimented the government for adopting "the bold policy of partial decontrol" of sugar for the current season, but pleaded with it not to take any measures which might unduly depress the markets, because if the average realisations of the factories over the year, through sale of free sugar, fell short of expectations, they would have to suffer heavy losses. On the other hand, he urged the government to suitably increase the free sale quotas of the factories. Mr Jhunjhunwala wanted the policy of partial decontrol of sugar to be extended to molasses which were also produced by sugar factories, and demanded an upward revision of the controlled price of molasses.

For bringing lasting stability on the sugar front, Mr Jhunjhunwala emphasized the need for accelerating cane development work. He welcomed the reference made by the government to the Tariff Commission to enquire into the cost structure of the sugar industry. On the question of sugar export, the ISMA President explained that export of about 95,000 tonnes in 1968 was to avail preferential quotas of the USA and the UK. He was confident that with the favourable impact of the new sugar policy on production in the next season, it should be possible to export two to three lakh tonnes in 1969. He traced the sugar industry's troubles to a drastic reduction in acreage under cane, drought conditions, and higher cane prices offered by gur and khandsari manufacturers. With remunerative prices now being offered by factories, cane growers seemed to be changing their outlook, and he assured the consumers that they could look forward to plentiful sugar supplies at much lower prices in the ensuing season.

Madras Chamber of Commerce and Industry: Addressing the annual meeting of the Madras Chamber of Commerce and Industry in Madras on March 20, its retiring Chairman, Mr John K. John, welcomed the government's decision to revert to the five-year planning system. He, however, said that the plans had to be real and within the financial means and bounds of attainment. He welcomed the present trend in diversification of our exports and urged the government to help commercial enterprises by reducing levies and giving greater incentives so that they may feel encouraged to accelerate this trend. Deploring the labour situation, he said that labour-management disputes could best be settled through direct negotiations. The newly-elected President of the Associated Chambers of Commerce and Industry, Mr N. M. Wagle, was the guest speaker. He welcomed the government's policies to revive investment and economic growth. He urged industry and commerce to react fast to the tremendous volume of purchasing power being generated in rural areas as a result of bumper crops. The industrial sector, he said, should develop entirely new marketing techniques designed to satisfy the specific requirements of the rural sector. He appreciated the export efforts of the engineering industry and hoped that these would not be slowed down as the country pulled out of the recession. While welcoming generally the central budget, Mr Wagle said that the Finance Minister could give a few more tax concessions. He could have particularly withdrawn the 10 per cent surcharge on income-tax, lowered by five per cent the corporate tax, abandoned the tax on intercorporate dividend and the surtax on companies profits. Mr Wagle was of the view that benefits to the economy by these changes would more than offset loss in terms of revenue. The Madras Minister of Industries, Mr V. R. Nedunchezhiyan, who presided, said that no enterprise of any worth can do, or ever has done, without the need for planning.

UNCTAD Board: The first meeting of the newly elected Trade and Development Board of the UNCTAD will be held at Geneva on May 6.

Hindustan Photo Films: The Rs 12-crore Hindustan Photo Films Manufacturing Company, which had been a sick-child since its inception in 1960, is showing visible signs of turning the corner soon and, according to its Managing Director, Mr M. A. S. Rajan, is expected to break even during the next financial year. It is already able to meet the country's entire requirements of black and white positive cine films with its monthly production amounting to 15,000 rolls. It will also be able to meet the internal requirements of X-ray films in about two years. The company will shortly start producing cine-sound, cine-negative films, and graphic arts and aerial films as also other special films. It is currently negotiating collaboration arrangements with some foreign producers for production of colour films.

World Exports: Preliminary estimates completed recently by the General Agreement on Tariffs and Trade show that 1967 world exports increased by only five per cent (from £83,750 million to £87,917 million) compared with the annual rate of 9.7 per cent for the three preceding years. This slowing down had particularly severe effects on the developing countries, whose exports rose by only about one per cent (the smallest gain since 1958), while their imports rose by three per cent.

World Rice Production: World rice production for 1967-68, according to preliminary estimates of the Commonwealth Secretariat, is likely to be around 178 million long tons, nearly nine per cent above the total output for 1966-67. The increase is mainly due to an improvement in yield, since the total world acreage in 1967-68 is estimated at 239 million acres, only three million acres bigger than last season.

Soviet Economic Growth: Economic growth in the Soviet Union and eastern Europe proceeded at a rapid pace during 1967, although less fast than in the preceding year, according to the latest annual survey of the UN Economic Commission for Europe. The growth rates of national income in these countries ranged from five per cent in East Germany to nine per cent in Bulgaria. In most of them, however, they were in excess of growth targets.

Industrial Employers: Mr Russi H. Mody, Director, Tata Industries Ltd, in his presidential address to the annual session of the All-India Organisation of Industrial Employers held in New Delhi last week strongly recommended the adoption of the Indian National Service Scheme as part of a programme of nation building activity. He urged upon the National Commission on Labour to review de novo the wage movement and the wage structure in India so as to work out a wage policy consistent with our developmental needs. While the Bonus Commission and wage boards were set up to bring some order from chaos in two important areas, they had only succeeded in creating more confusion, Mr Mody observed.

Indo-Iran Economic Collaboration: India and Iran are planning to collaborate with each other in setting up a number of industrial projects. The projects are likely to include diesel engines, sewing machines, steel castings, fertilizers, chemicals and synthetic rubber. Iran has also given concessions to India for off-shore exploration of oil in the Persian Gulf area.

Tractor Plant with Czech Collaboration: The foreign exchange component of the tractor plant proposed to be set up in the public sector in collaboration with Czechoslovakia has

been estimated at Rs 2.60 crores, according to a feasibility report submitted to the Government of India by a Czech agency. The government is examining this report and if it decides to go ahead with the project, the plant is likely to be located at Ramnagar in Uttar Pradesh. When established, the plant will be able to meet the country's entire anticipated demand by 1970-71 of tractors in the range of 20 h.p. and below.

Telco Tippers for Bulgaria: The Tata Engineering and Locomotive Company has received from Bulgaria another order for the supply of 144 Tata-Mercedes-Benz tippers. Telco has already supplied to Bulgaria nearly 200 vehicles. With the new order, its total earnings from this source will exceed Rs 12 million.

Foreign Investment Board: The Government of India will soon set up a foreign investment board to streamline procedures and minimise delays in approving proposals for foreign investment.

Pickles Export to UK: Britain became the largest single buyer of pickles and chutneys by importing these products worth about Rs 31 lakhs last year. This marks an increase of nearly 50 per cent in the last two years. It consumed papads worth about Rs 6 lakhs with Malaysia following closely with an import bill of Rs 5 lakhs on papad account. Britain's imports of pickles and chutneys formed more than 60 per cent of the total Indian exports valued at about Rs 54 lakhs.

Nickel From USSR: The Soviet Union has agreed to supply 400 tonnes of nickel, a strategic material which is in critical shortage the world over. Nickel import will considerably help in the development of alloy steel industry in our country.

US Commodity Aid to Pakistan: The United States will provide $11.5 million worth of commodity assistance to Pakistan.

Wool Export: Having been able to sell to the United States 300 bales of graded wool, after a period of declining exports of this commodity, Rajasthan's wool industry is hoping to clinch further deals, especially in view of the fact that the samples of the wool graded at the wool-grading centre set up recently with FAO assistance, which had been sent to the USA by the State Trading Corporation, have been found most suitable for carpet manufacture.

Indo-Japan Air Agreement: India and Japan have signed a revised civil aviation agreement.

Northern Food Zone: The government has decided to form the northern food zone comprising Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir and Delhi. New wheat procurement prices, ranging from Rs 76 per quintal for the Mexican and common white varieties to Rs 81 per quital for the superior farm varieties, have also been announced. These prices are slightly higher than those recommended by the Agricultural Prices Commission.

Imported Nylon Yarn Prices Cut: The State Trading Corporation has pruned the prices of nylon yarn imported by it, following a cut in their prices announced recently by indigenous spinners. The new prices will be applicable to all sales made on or after March 1, 1968.

Rourkela Steel Plant: The mechanical and electrical maintenance of the Rourkela expansion programme will be shortly taken over by 65 West German experts, under an agreement signed recently by Hindustan Steel with a consultancy firm in Dusseldorf.

Exports to Sudan: Business worth Rs 25 lakhs for automobile parts, other engineering goods and textiles, etc., has been booked at the Indian Trade and Industrial Exhibition at Khartoum (Sudan) which closed recently. Negotiations are under way for further business amounting to Rs 1 crore. About 100 Indian business firms and organisations took part in the exhibition.

Food Procurement: Co-operative societies in India are expected to procure foodgrains worth Rs 225 crores during the current co-operative year ending June, 1968. Co-operatives handled foodgrains worth Rs 147.55 crores during 1966-67. A total procurement target of seven million tonnes has been fixed by various state governments for 1967-68 kharif season. The total procurement of foodgrains in the country during 1966-67 was of the order of 33.63 lakh tonnes valued at Rs 241.28 crores. The share of co-operatives accounts for 61 per cent. There has been considerable increase in the value of foodgrains marketed by co-operatives during the past few years. The total value of foodgrains handled by co-operatives in 1964-65 was Rs 99 crores, while it rose to Rs 137 crores in 1965-66.

Training and Research Institute at Calcutta: An agreement for the establishment of a Central Staff Training and Research Institute at Calcutta with assistance from West Germany was signed in New Delhi on March 26. The institute will conduct research on a continuous basis to ensure that the standards of training conform to the latest and most modern techniques and evolve syllabi, teaching material for technical courses on sound lines suited to the requirements of the country. Of the total cost of over Rs 82 lakhs, the West German share will amount to Rs 34.5 lakhs, which will be provided in the form of advisers, fellowships and equipment.

Raw Silk Import Duty Cut: The government has reduced the protective import duty on raw silk from 50 per cent ad valorem plus Rs 8.80 per kg to 30 per cent ad valorem.

Danish Credit for Milk Powder Import: Denmark has extended to India a fresh interest-free credit of Rs 30 million for import from the lender country of milk powder and other food supplies. The loan is repayable over a period of 25 years, including a seven-year grace.

Film Censorship Body: A 17-member committee, headed by Mr G. D. Khosla, has been appointed by the government to examine the working of film censorship and submit its report by July next.

HMT Manufactures Sophisticated Machines: The state-owned Hindustan Machine Tools delivered last week to Telco two highly sophisticated, automation-based transferline machines manufactured at its Hyderabad factory. These machines, which have been manufactured for the first time in India, are a 16-station close loop and a 22-station open loop transferline machines. Meanwhile, HMT has big plans of diversification of its manufactures. Among the products whose production will start shortly are short-piece turning machines, verticle turning machines, heavy duty radial drills and heavy duty lathes.

GROW MORE

SAVE MORE

WORK MORE

Company Affairs

KAMANI ENGINEERING

THE JAIPUR works of Kamani Engineering Corporation Ltd has been completed and it commenced production since June 1967. This factory is equipped to produce 30,000 tonnes of tower per year, with a provision for expansion of capacity up to 50,000 tonnes. Though the works has been commissioned, its impact on the total production was not sufficient due to teething troubles which were, however, overcome by the end of 1967. Besides, the annual capacity of the Kurla works was expanded by 6,000 tonnes to 30,000 tonnes. This expansion will help the company to handle export orders more expeditiously. These observations are contained in the annual statement of Mr P. R. Kamani, the Chairman of Kamani Engineering Corporation Ltd.

The company was engaged during 1966-67 in the execution of as many as 18 transmission line projects spread all over the country and this has resulted in an increase of 10 per cent in turnover on this account as compared with the previous year. The company also entered into one of the major areas of diversification in construction activities by securing an important contract for the heavy civil engineering work for the construction of an underground power house at Ukai. The ropeway project was completed as expected during the year.

Road roller sales were affected severely by the recession. Sales campaign was however maintained at a high pitch throughout the year. The company has recently developed a new model to suit Escort Tractors and this is also being marketed.

During 1966-67 the company exported as much as 42 per cent of its production as compared with only seven per cent in the previous year. With the relentless efforts made by the company, a big boost in its exports is expected during 1967-68. Even with its current export performance, the company is already occupying the second position in the list of exporters in western India.

The chairman also drew the attention of the authorities to two significant facts. He pointed out that firstly in the absence of adequate transmission lines, the installed capacity for power generation remains under-utilised and to that extent the power generating projects fail to make effective returns. Secondly, lack of adequate transmission facilities fail to provide the extent of infrastructure needed for industrial development. The chairman, therefore, urged the authorities concerned to view these things in their proper perspective and provide adequate funds on priority basis for the timely execution of transmission line projects.

MADURA MILLS

In order to further advance its plans to modernise the spinning processes in all the units and implement other measures aimed at diversification of products and to meet the increased working capital requirements, Madura Mills Company Ltd intends to issue debentures shortly. This was disclosed by the Chairman, Mr M. A. Muthiah Chettiar, when he was addressing the annual general meeting of the company held recently at Madurai.

Commendable progress has been made by the company during the year in the execution of its modernisation and diversification programmes. As a result of its continued diversification, the company introduced during 1967 its polyester suitings which have been exceptionally well received by all the markets in the country. Further diversification was also made during the year in respect of polyester blended shirtings and a greater range of all cotton civil fabrics. An entirely new item, namely, filter cloth, specially for use in the oil, sugar, porcelain and aluminium industries, was also introduced successfully into the markets.

The company continued to maintain its progress in the field of exports. During the course of 1967 the company exported yarn and fabrics worth Rs 643 lakhs. In terms of value this is a marked improvement over its performance in 1966 and is particularly significant when compared with the total textile exports of the country which dropped during the year by about 30 per cent. The company continued to maintain its position as a leader in exports of yarn.

Rapid progress was also made during the year in replacing conventional type machines in spinning with modern machinery such as high speed frames and combers. This will not only help the weaving sections but also enable the mills to offer better quality yarns to the market. Trials with indigenously manufactured machinery for other spinning processes are under way to improve yarn quality and productivity.

As a part of its programme of modernisation and reconditioning, the company has commissioned recently its compressive shrinkage plant for preshrinking of cloth. The jig dyeing of cloth and kier dyeing of yarn have been fully commissioned and the major cloth dyeing range is expected to be commissioned in the next few months.

ATUL PRODUCTS

Atul Products Ltd has suffered a setback in its working during the year ended December 31, 1967, with the income from sales and other resources declining by about four per cent to Rs 7.71 crores and the gross profit falling by as much as 43 per cent to Rs 105.69 lakhs. The none-too-encouraging performance of the company during the year has compelled the directors to recommend a lower dividend of eight per cent as against 12 per cent paid in 1966. The economic recession, drop in income from other sources coupled with the sharp rise in expenditure, according to the directors, were mainly responsible for the poor performance of the company during the year under review. The directors, however, feel that the decline in profit is only of a temporary nature and hope to improve its working results in the very near future.

Adding to the gross profit the sum of Rs 25,539 being income-tax refund and Rs 12.71 lakhs being excess provision for taxation and transferring Rs 17 lakhs from general reserve, the amount available for appropriations came to Rs 135.65 lakhs as compared with Rs 199.94 lakhs in 1966. The directors have appropriated a sum of Rs 102.97 lakhs to depreciation as against Rs 125.13 lakhs in 1966 while managing agents' remuneration claimed Rs 0.54 lakh as compared with Rs 4.93 lakhs in the preceding years. No allocations have been made for taxation and development rebate reserve as against Rs 10.50 lakhs and Rs 17.50 lakhs provided respectively in the previous year. The proposed dividend will absorb Rs 31.98 lakhs as compared with Rs 41.98 lakhs a year ago. A sum of Rs 7,242 had been carried forward as against Rs 11,867 brought in.

PHILIPS INDIA

The directors of Philips India Ltd have proposed a final dividend of 10 per cent for the year ended December 31, 1967. This together with the interim dividend of nine per cent paid in December last, will bring the total distribution for 1967 to 19 per cent or Rs 1.90 per share which compares favourably with Rs 1.80 per share paid for 1966.

The company's sales spurted to Rs 23.4 crores, recording a significant rise of Rs 4.6 crores over 1966. Profit before taxation was higher at Rs 4.35 crores as against Rs 3.21 crores in the previous year. The profit after taxation amounted to Rs 1.40 crores as compared with Rs 1.21 crores in the preceding year. After providing Rs 10 lakhs for development rebate reserve and payment of the interim dividend of Rs 32.76 lakhs, there is a disposable sum of Rs 97.14 lakhs. Adding the balances in the reserve for contingencies of Rs 20 lakhs and the reserve for debtors and stock risk of Rs 16.92 lakhs, which in the opinion of the directors are no longer required, there is a surplus of Rs 134.06 lakhs which has been transferred to general reserve. The proposed final dividend will claim Rs 36.40 lakhs and it will be paid out of the general reserve. Thus the total dividend for 1967 will absorb Rs 69.16 lakhs or Rs 3.64 lakhs more than in 1966.

HINDUSTAN LEVER

The directors of Hindustan Lever Ltd state in their report for 1967 that the company's factories have maintained a satisfactory level of production during the year. The capacities of the two synthetic detergent plants at Calcutta and Bombay were raised to meet sales requirements. A new refined glycerine still was commissioned at Calcutta and construction of a plant at Andheri, Bombay, was started for the production of essential oils and chemicals for soap-making. Two new animal feeding stuff plants have been built at Ghaziabad and Tiruchirapalli factories and will shortly go into production. With the easy availability of imported soap-making oils, sales of soap and detergent products achieved new record levels during the year. Sales of toilet preparations showed a further increase, particularly in talcum and toilet powders. The company has added a gulab jamun mix in its range of convenience foods, while development is well advanced for the introduction of new products. Despite a difficult raw materials supply position due to the poor agricultural year, sales of both cattle and poultry feeds established record levels during the year. Out of the total turnover of Rs 93.28 crores, sales of soaps, detergents and toilet preparations accounted for Rs 47.84 crores, edible fats, dairy products and convenience foods for Rs 38.56 crores and animal feeding stuff, oils, glycerine and other by-products for Rs 6.88 crores as compared with Rs 43.67 crores, Rs 34.51 crores and Rs 6.49 crores, respectively, in 1966.

INDIAN OVERSEAS BANK

The Indian Overseas Bank Ltd, which is one of the leading banking institutions in South India with a lot of pioneering work to its credit, has launched on a massive farm financing programme in the current year. The bank has evolved a full-fledged farm finance scheme to grant loans to farmers for the purchase of tractors, pump sets and farm implements as well as to buy high-yielding seeds, fertilizers and pesticides and also to meet cultivation expenses. As a part of this programme, the bank has recently granted liberal credit to 400 sugarcane farms in Coimbatore district for the purchase of cane sets, fertilizers and pesticides. The bank has also launched pilot programmes to finance other crops including paddy, and coffee in the three districts of South India, namely Thanjavur in Tamil Nad, Kakinada in Andhra Pradesh and Pollibetta in Mysore, wherefrom the bank is entertaining a larger number of applications. The bank has also formulated a new scheme for financing small-scale entrepreneurs to set up new industrial ventures.

BANK OF RAJASTHAN

The Bank of Rajasthan Ltd has reported an all-round improvement in its working results, with deposits and working funds vaulting to new highs during the year ended December 31, 1967. Deposits touched an all-time peak of Rs 12.54 crores, recording a significant rise of 14.49 per cent or an increase of as much as Rs 1.62 crores over 1966. This is indeed a magnificent achievement especially when compared with the all scheduled banks' deposits accretion of 9.2 per cent during 1967. The total number of deposit accounts swelled to 83,908 from 75,685. The working funds shot up to Rs 14 crores, registering a marked rise of Rs 1.65 crores over the preceding year. The net profit for the year was higher at Rs 7.51 lakhs as compared with Rs 7.01 lakhs in 1966. With the brought forward amount of Rs 3,125, the amount available for appropriation came to Rs 7.54 lakhs. Taxation reserve was provided with Rs 1.91 lakhs, while a sum of Rs 1.50 lakhs was set aside for reserve funds. An amount of Rs 2.07 lakhs was earmarked for the payment of bonus to staff. This leaves a surplus of Rs 2.06 lakhs. The directors have proposed a dividend of 10 per cent for the year besides recommending a payment of one per cent as jubilee bonus. This will absorb Rs 2.00 lakhs, leaving a balance of Rs 5,587 to be carried forward. The bank was established on May 7, 1943 and will be completing 25 years of its working in May 1968. Hence the year 1968 will be a glorious chapter in the history of the bank.

CANARA BANK

In spite of the phenomenal growth in recent years and the tremendous expansion in its highly diversified lines of services, the same principles of its illustrious founder continued to be the guiding principles of the Canara Bank Ltd throughout the last 62 years of its working. For instance, in extension of credit, the bank continues to give increased assistance to small borrowers, entrepreneurs of integrity, sectors of national priority including agriculture and in financing of exports. Though the branch expansion programme of the bank is a judicious blend of rural and semi-urban and city branches, the expansion is mainly directed in providing banking facilities to and mobilising savings from rural and semi-urban areas. This was emphasised by the Chairman, Mr K. P. J. Prabhu, when he was addressing the annual general meeting of the bank.

That the bank has retained its hallmark of service to towns and villages in particular, is illustrated by the fact that out of its 247 branches at present, 40 are in places having population of less than 15,000, 36 in places with population between 15,000 and 25,000, 25 in places with population between 25,000 and 50,000, 21 in places with population between 50,000 and 75,000 and 12 in places having population of 75,000 and over but less than a lakh. These together constitute over 54 per cent of its present branch network. Equally noteworthy is that in 29 small centres, the Canara Bank is the only commercial bank operating.

Between the end of 1961 and the first quarter of 1964, the bank took over nine smaller banks with branches predominantly in rural areas. Pandyan Bank with over 80 branches was one among them to be merged with the bank. With a view to consolidating these taken over units, the bank deliberately pursued a go-slow policy in the matter of opening branches. Only two and three branches respectively were opened during 1965 and 1966. Even during 1967 the bank opened only seven branches, of which four were in rural and semi-urban centres. In the course of this year the bank is planning to open 24 new branches, mostly in villages which have no banking facilities at all at present.

As a first step towards better mobilisation of deposits especially in rural areas, the bank has introduced a new "Janapriya Deposit" scheme. It is an adoption of the term deposit scheme to suit rural conditions and is so devised that the depositor does not have to call on the branch for making the deposit or execute any papers.

Small depositors continue to enjoy a preponderant share in the bank's total deposits. Thus out of the total deposit accounts of 8.40 lakhs at the end of 1967, saving bank accounts accounted for 6.03 lakhs whereas the average deposits per savings account amounted to Rs 567.10 as against the average deposit per account of Rs 1442. Small borrowers again hold a privileged position in the bank's total advances. Advances under Rs 10,000 comprised over 86 per cent of the bank's borrowing accounts, the average for all borrowing account being barely Rs 15,634. Credit extended to small-scale industries amounted to over Rs 10 crores and their share to the bank's total advance is as much as 13.62 per cent.

With a view to helping small industries and entrepreneurs the bank has started an "Industrial Information and Guidance Service". This new wing will collect and make available information that is useful for setting up various industries, the procedural formalities to be complied with, assist preparation of project reports and loan proposals and suggest sources from which finance can be arranged. Guidance in regard to maintenance of accounts, tax problems and labour laws will also be provided.

A firm begining has been made by the bank in extending direct finance to agriculture. The loans sanctioned include those for tractors and pump sets and other farm equipment, digging wells, fencing, land reclamation and development, construction of farm sheds, dairy and poultry, orchards, agricultural inputs such as seeds, fertilizers and pesticides and also composite advances for intensive cultivation of large sized farms.

GUEST, KEEN, WILLIAMS

Guest, Keen, Williams Ltd has announced the formation of a subsidiary company G.K.W. (Overseas Trading) Private Ltd. This company has been formed, consequent upon the increased activity in the export of railway track equipment, fastners and fittings, bright and hot rolled bars, forgings, commercial quality bolts and nuts, wood screws, machine screws, safety pins etc. G.K.W. has already exported these products to the USA, West Indies, Malaya, Singapore, Thailand, Burma, Australia, New Zealand and certain Middle East countries and efforts will now be made to explore new markets besides penetrating deeply into the established markets. G.K.W. (Overseas Trading) Private Ltd will also market abroad other Indian-made engineering products and steel, not manufactured by G.K.W. and operate as importers of similar essential products.

CAFI

Chemicals and Fibres of India proposes to issue, subject to the consent of the Controller of Capital Issues, ten lakh equity shares as fully paid bonus shares by capitalising Rs 1 crore out of the reserves and distribute them to the shareholders on a two-for-five basis.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 10 companies to issue bonus shares exceeding Rs 2.70 crores. The amount of bonus shares ranges between Rs 1.8 lakhs and Rs 109.38 lakhs. The consents are valid for 12 months. Following are the details:

Orient Pharma (Private) Ltd., Madras has been accorded consent to capitalise Rs 4,13,000 out of its general reserve and issue fully-paid equity shares of Rs 1,000 each as bonus shares in the ratio of one for every two equity shares held.

Shukla-Manseta Industries (Private) Ltd., Bombay is permitted to capitalise Rs 5 lakhs out of its general reserve and issue fully-paid equity shares of Rs 1,000 each as bonus shares in the ratio of two for three held.

Rungamattee Tea Co., Ltd., Calcutta is allowed to capitalise Rs 5,25,000 out of its free reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for one held.

Bombay Potteries and Tiles Ltd., Bombay has been given permission to capitalise Rs 7,08,900 out of its general reserve and issue fully-paid equity shares as bonus shares in the ratio of one for every two equity shares held.

The New India Industries Ltd., Baroda has been given consent to capitalise Rs 24,43,400 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for three held.

T. V. Sundaram Iyengar & Sons (Private) Ltd., Madurai has been permitted to capitalise Rs 27,73,800 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for eight held.

Britannia Biscuit Co., Ltd., Calcutta has been given consent to capitalise Rs 66,40,140 out of its general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of two for three held.

Ahmedabad Manufacturing & Calico Printing Co., Ltd., Ahmedabad has been accorded permission to capitalise Rs 109,37,500 out of its general reserve and issue fully-paid equity shares of Rs 125 each as bonus shares in the ratio of one for three held.

AMCO Batteries Ltd., Bangalore, has been accorded consent to capitalise Rs 20 lakhs out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of 4 bonus shares for every 3 equity shares held.

Pioneer Equipment Co., (Private) Ltd., Bombay has been permitted to capitalise a sum not exceeding Rs 1,80,000 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares.

Ashok Leyland Ltd., Madras, is allowed to issue Rs 200 lakhs in the form of debentures for expansion of the manufacturing programme of the Company.

Mohan Meakin Breweries Ltd., Solan (Simla Hills) has been given consent to issue Rs 100 lakhs in 7.75 per cent debentures, 1973/78, of Rs 1,000 each for cash at par for setting up new factories at Mubarakpur near Chandigarh and in Maharashtra state for the manufacture of malt, beer, spirits, etc.

Special Steels Ltd., Bombay, is permitted to issue Rs 65 lakhs in 7.75 per cent debentures 1978/83 of Rs 1,000 each, for cash at par, to be offered to public for financing expansion capacity for the manufacture of steel wires.

V. S. T. Tillers Tractors Ltd., Bangalore, has been permitted to issue Rs 60 lakhs in equity shares of Rs 100 each. The proceeds would be utilised for the construction of a factory for the manufacture of tillers tractors.

Carona Sahu Co., Ltd., Bombay, has been accorded 'no objection' to issue Rs 24 lakhs (Rs 14 lakhs in equity and Rs 10 lakhs in 9.5 per cent cumulative redeemable preference share) to be offered for cash at par to the public for financing expansion programme for the manufacture of rubber and canvas shoes.

Pierce Leslie (India) Private Ltd., (proposed to be incorporated in Mysore State) has been accorded consent to issue equity shares of a value of Rs 20,40,000 at par to Messrs. Pierce Leslie and Co., Ltd., London, in part consideration of the transfer of land and fixed assets of the Indian branches of the latter company. The UK company shall transfer 50 per cent of the shares issued to it at par to Indian promoters. The proposed Company will convert itself into a public limited company within two years and shall offer further shares to the Indian public equivalent to 49 per cent of its issued equity shares and preference shares of a value of Rs 15 lakhs.

Tekson Private Ltd., Bombay, is given consent to capitalise Rs 10,50,000 out of its general reserve and utilise the amount in crediting 1,200 equity shares of Rs 1,000 each (Rs 125 per share paid up) as full paid-up.

ASSOCIATION MEETING

INDIAN SUGAR MILLS ASSOCIATION

New Sugar Policy Boldly Conceived

RELIEF TO CONSUMERS IN THE OFFING

In his Presidential Address delivered at the 35th Annual General Meeting of the Indian Sugar Mills Association held at New Delhi on 2nd April 1968 at 11-45 A.M., Shri V. D. Jhunjhunwala pointed out—

Events on the sugar front have moved rather briskly. In the 1966-67 season production suddenly declined from the record level of about 35.31 lakh tonnes achieved in the 1965-66 season to about 21.6 lakh tonnes. Never before in the history of the Indian Sugar Industry has there been such a precipitous decline in production in the course of a single year. The reasons therefor were reduction in overall availability of cane due to 22 percent drop in cane acreage in factory areas as compared to the previous season 1965-66 and drought conditions prevailing in the country. There was also large scale diversion of cane to the manufacture of gur and khandsari. Happily, the worst was averted due to stocks of 9.7 lakh tonnes carried over from the 1965-66 season. Towards the end of 1966-67 the outlook for the current season 1967-68 was very gloomy. The carry-over stocks were expected to be considerably reduced. Cane acreage in factory areas had declined by another 23 per cent as compared to 1966-67, amounting to an overall drop of 39 percent over 1965-66. Gur and khandsari prices were also ruling at abnormally high levels. It was abundantly clear that if the policy of controls was continued, sugar production would decline to as low as 15 lakh tonnes.

Partial Decontrol: Government needs to be complimented for realising the exigency of the situation and announcing a policy of partial decontrol for the current season 1967-68. The policy has been indeed very boldly conceived and is a big step in the right direction. Under this policy, Government would procure 60 percent of the current season's output for controlled distribution to domestic consumers and leave the balance 40 percent for free sale. Simultaneously, the statutory minimum cane price was raised from Rs. 5.68 to Rs. 7.37 per quintal.

Open Market Prices: At the time of the announcement of the policy, it was clarified that factories would be required to deliver 60 percent of the current season's output, subject to a minimum of 13 lakh tonnes at a levy price fixed on the basis of cane price of Rs. 7.37 per quintal for 9.4 percent recovery whereas, in actual practice, they would be required to pay much higher cane prices in competition with gur and khandsari and recoup the losses suffered in delivering levy sugar, from the free sugar. The objectives of the policy were two-fold: Firstly, to provide sugar at subsidised prices to domestic consumers, and secondly, to ensure payment of competitive cane prices to growers by factories. The disparity between the levy and the open market prices is therefore 'built in' in the policy itself. Factories have to recover not only the additional cane price paid but also the loss on export of about 95,000 tonnes sugar this year. Besides, in the computation of levy price, quite a few items of cost have been either disallowed or allowed only partially. All these factors have tended to increase cost of free sugar unduly and accordingly will be reflected in the open market prices.

The Industry has implemented the new sugar policy faithfully. Factories have paid competitive cane prices which in certain areas have been as high as Rs. 16/-, 17/-, 18/- per quintal; Indeed, this has exposed them to serious financial risks. Apprehensions are that the average realisations of the factories over the year may fall short of expectations. This is really causing great anxiety to the industry because factories may not be able to realise the additional cane price paid, export loss and other extra cost incurred by sale of 40 percent of their production in the free market. In order to ensure that factories do not suffer undue losses, higher percentage of free sale should be suitably allowed. This is possible if the carry-over stock of 1966-67 season is taken into account as the same is admittedly available for controlled distribution.

Validity period of free sale release: The validity period of free sale release orders should be extended from 30 days now allowed to 45 days as permitted in the case of levy sugar. This is the bare minimum needed. With the low validity period of 30 days allowed on the one hand and the ban on forward sale of sugar on the other, serious difficulties have been created for the factories. Resultantly, there has been large scale distress selling by factories and the market continues to be panicky and weak. As the factories have faithfully implemented the new sugar policy it is urgently necessary that there should not be any action by Government which would depress the market and cause panicky conditions. On the contrary, factories should be enabled to effect orderly sales of their free sale quotas, which will be possible if only the validity period is raised to 45 days.

Price Disparity: The existing disparity between the price of levy and free sugar is generally misconstrued to be conferring undue benefits to the industry. Even when the policy of partial decontrol was announced by the Government, it was clear that the expected disparity in the two prices was likely to be misunderstood by the public at large, while the factories would expose themselves to serious financial risks. The industry still accepted the policy because this was the best under the circumstances. The cane acreage in factory areas was declining at an alarming rate and the hybrid foodgrain varieties were getting popular. The gur and khandsari were rocketing high. It was not possible for the Government to raise the statutory cane price to competitive levels. As a result, not only the production prospects during the current season were extremely bleak, this disastrous trend was likely to be accentuated in future. It was therefore in the larger interest of all concerned including the consumers that extraordinary measures should be devised to check deterioration. It is with this objective that the present policy has been worked out. Although the industry is firmly opposed to undue price spurts, the higher open market prices now ruling are inescapable. It is however purely a temporary phenomenon. In fact, the higher cane prices paid in the current season are expected to reverse the trend. Besides, with a good monsoon, the sugar output should go up substantially in 1968-69. The consumers can thus look forward to plentiful supplies of sugar at much lower rates in the near future.

Production Prospects: By 15th March 1968, the industry had produced 19.43 lakh tonnes and it is confidently hoped that the total sugar production in the current season would be of the order of 22.5 lakh tonnes. Here lies the success of the bold and imaginative sugar policy of the Government but for which the output would not have been more than 15 lakh tonnes. The higher sugarcane prices paid have completely changed the growers' outlook to sugarcane. Reports of plantings for 1968-69 season go to show that growers have once again taken seriously to cane plantings. It is very likely that the serious decline in the cane acreage in factory areas in the last two seasons may be more than made up. Higher sugar production expected will provide the much desired relief to the consumers.

Partial decontrol of Molasses: The policy of partial decontrol which has yielded such welcome results in the case of sugar, should be extended to molasses also. Here too 60 percent of the output may be requisitioned for controlled distribution and the balance 40 percent should be left for sale in the free market. It is also necessary that the controlled price of molasses should be raised suitably. Free sale of molasses would help to keep gur prices in check which, in turn, would mean lesser diversion of cane from factory areas. It would thus increase production of sugar and consequently that of molasses. The 60 percent of the molasses production acquired by Government will more than suffice to meet the requirements of the distilleries for production of industrial alcohol and thereby amply safeguard the alcohol-based industries.

Cane Development: No doubt, lasting stability on the sugar front can only be brought about by stepping up cane development activities. High returns are available to the growers by the cultivation of hybrid foodgrains. It has to be ensured that compatible returns are available to the cane growers. The returns available to the cane growers in areas where the per acre yield and sugar content are low, can only be increased by accelerating cane development activities. The problem is no doubt complex and for its solution vast resources and all-out efforts are needed. Something tangible can emerge only if there is co-ordination among the State and Central Governments, growers and factories. To start with, the State Governments must as a matter of policy, agree to utilise their entire cane cess/purchase tax collections for development work. At present, only a very negligible portion of the collections is actually spent for cane development. Since sugar is a Central subject, the Central Government should also play a more active role in sugarcane development. In this connection, Government's decision to appoint a Committee to inter alia consider various aspects of sugarcane development is very welcome. It is hoped that this Committee would go deep into the matter and suggest practical and expeditious ways to step up cane development activities. The sugar factories should also intensify their efforts for sugarcane development.

Tariff Enquiry: Government recently made a reference to the Tariff Commission to enquire into the cost structure of the sugar industry and other allied matters. A fresh enquiry into the cost structure is necessary for a variety of reasons. The cost schedules now employed by Government in the determination of sugar price were prepared by the Sugar Enquiry Commission on the cost data of the crushing season 1963-64. Since then costs have risen sharply and there is no provision in the schedules for adequate adjustments therefor. The schedules also suffer from quite a few drawbacks. It is welcome that the terms of reference to the Tariff Commission include consideration of various vital issues like rate of return to be allowed, provision of depreciation on replacement value, etc. These issues have a vital bearing on the determination of a fair price of sugar.

Uneconomic Units: In the present procedure of price fixation it is inherent that some units should continue to suffer. There are units whose recovery and duration, the two main determinants of the cost of production, are below the average of the region. Since there are wide disparities in the matter of sugar recovery and duration of the season within the cost zones, a large number of units have to operate under an uneconomic price structure. Such units should be given ad hoc increases in the price corresponding to their actual sugar recovery and duration of the season.

Shifting to better sites: Attention may be drawn to the sad plight of certain units whose working has been rendered uneconomic due to their getting inadequate supplies of cane for crushing. This has been the position for a number of years now and the outlook for the future is also bright. It is urged that these units be allowed to shift to better sites either within the same state in which they are situated or to a site outside the state where potentiality of adequate cane supplies exist. The unsuitably located units should not only be permitted to shift to better sites but the Central Government should encourage shifting by reviving the old practice of providing subsidy to such units. It is welcome that the Committee appointed by Government to consider measures necessary for cane development will also be recommending schemes for rehabilitation of the unsuitably located units at their present sites or elsewhere. It is hoped that this problem will be finally solved in a realistic manner.

COMPANY MEETING

MADURA MILLS COMPANY LIMITED

Regd. Office : New Jail Road, Madurai

Speech of the Chairman, Dr Rajah Sir M. A. Muthiah Chettiar at the Annual General Meeting of the Shareholders of the Company held at Pandyan Building, Madurai, on 25th March, 1968.

Gentlemen,

I have great pleasure in welcoming you all to this Meeting. The Report of the Directors and the Audited Accounts of the Company for the year ended 31st December 1967 have been circulated in the prescribed manner and with your permission I propose to take them as read.

I am sure you will have been happy to have noted the results of the year 1967.

The year under review opened with the impressive spectacle of the world's largest democracy going to the polls and carrying it through with admirable orderliness which won the acclaim of the world. The nature of adjustments and adaptations of parties in the political field following the elections and the instability and lack of industrial harmony noticeable in some States, leading at times to problems of law and order, seem however to give cause for some concern about the course of the democratic process in our country. Trade and industry are the first to feel the impact of such disturbed conditions.

In the textile industry difficulties in cotton supply and the resultant reduced activity in the Mills for the best part of the year—on a 5-day week up to April and thereafter with an extra day off fortnightly up to September—contributed to increases in costs both of raw materials and of manufacturing. The average D.A. for the year increased by Rs 11.85 per worker per month over the pervious year. As part of the Government's drive to contain inflation, severe restrictions were imposed on credit, entailing heavy interest charges.

The movement of yarn and cloth of your mills during the year was generally satisfactory considering the overall problems faced by the textile industry and the adverse effect which the unsettled political conditions in some parts of the country had on the yarn trade especially in the later part of 1967. We were able to end the year with stocks representing approximately 3 weeks' production of yarn, but the situation has tended to deteriorate in the new year.

With continued diversification in the Mills, 1967 marked the introduction of Harvey's Polyester Suitings which have been exceptionally well received in all markets of the country. Further diversification during the year was in respect of Polyester Blended Shirtings and a greater range of all cotton civil fabrics. Once again our industrial products have maintained their good position in the market and a new item, namely Filter Cloths specifically for use in the oil, sugar, porcelain and aluminium industries has been introduced.

In the export field, the abolition of the incentive scheme following devaluation in 1966 made things difficult in maintaining our export markets. It is all the more gratifying therefore to be able to report the continued progress of your Mills which during the course of the year exported yarn and fabrics to the value of Rs. 643 lakhs. In terms of value, this is a marked improvement over our performance in 1966 and is particularly significant when compared with all India textile exports which during the year dropped by approximately 30%. We still lead the field in respect of yarn exports although we are facing intense competition from other developing countries and it is becoming increasingly difficult to maintain our position as our costs continue to rise.

In the year under review progress has been made in replacing conventional type machines in spinning with modern machinery such as high speed draw frames and combers. This will not only help the weaving sections but also enable the mills to offer better quality yarns to the market. Trials with indigenously manufactured machinery for other spinning processes are under way to improve yarn quality and productivity. During the year your Mills have continued with the programme of modernisation and reconditioning.

The Compressive Shrinkage Plant for preshrinking cloth has been commissioned. We now have jig dyeing of cloth and kier dyeing of yarn fully commissioned, and our major cloth dyeing range is expected to be commissioned in the next few months.

The 1966/67 season produced a short cotton crop for the third year in succession; nature was cruel to the crop resulting in a final outturn of only 53.50 lakh bales. Quite apart from a physical shortage of cotton, the quality available left much to be desired. The compulsory extra holiday, which was retained until the close of the season, to a degree served to ease the statistical position and marginally to curb the soaring price levels that ensued especially towards the close of the season.

The 1967/68 season commenced with good prospects. We have seen for the first time in 24 years the abolition of price control. However, to ensure a fair return to the farmer, it has been necessary for the Government to increase the basic support price by 5 to 10% depending on the variety. The Movement Permit system has been abolished and control on permitted cotton cover levels eased. This general easing of controls by the Government has undoubtedly been motivated by reports of an estimated crop for the current season of 60/62 lakh bales.

On the recommendation of the I.C.M.F. the distribution of foreign cotton has been based on spindle activity instead of on past consumption. The reference period to be taken is one of the years 1964/66 at the choice of the individual mill or group. This system is said to be more equitable than hitherto in that recently commissioned mills are enabled to participate. Unfortunately allocations were issued virtually at one time for the major portion of this cotton and for specific shipment periods, and this means that your mills will be subjected during the year to high peak periods of financial commitment. In order to secure their requirement of long staple foreign cottons your mills have also been obliged to accept large quantities of American short staple cotton, which because of the short American crop have proved to be costly and of doubtful quality.

On the labour front the year under review was relatively untroubled for your mills. As you would have seen from the accounts, payment of heavy lay off compensation had become necessary because of the compulsory extra weekly or fortnightly holiday up to September. Although in accordance with the Bonus Act only the statutory minimum of 4% was payable in respect of 1966, the workers and unions agitated for a payment far in excess of the statutory amount. The matter went up to conciliation at the highest level and the Company finally agreed to pay the workers an ex-gratia amount over and above the statutory 4% due. This has meant an additional expenditure of Rs. 8 lacs.

While we have reason now to hope for an improvement in the economic climate, the situation undoubtedly still is challenging, and requires good husbandry and untiring vigilance. To enable the Company to fulfil its export commitments, competing effectively in the highly competitive world markets, and to justify the heavy expenditure incurred in modernising the Mills it behoves labour to play its part by co-operating with management in measures to increase individual productivity.

In order that the Company may further advance its plans to modernise the spinning processes in all the units and other intended measures, directed to the diversification of products, and in order to provide the increased working capital required, your Directors are contemplating issuing Debentures. Your approval of the necessary borrowing powers for the Board is being sought at today's meeting.

Before concluding, I wish to mention the impending retirement as from 6th April of Mr T. K. Sivasamban from the Managing Directorship of your Managing Agents. He entered the service of the Company in 1934 and retires after a long and fruitful record of loyal and earnest service. He has been on your Board since 1963. Taking over the responsibility of directing the affairs of the Company in April 1965, at a time when the textile industry was passing through a difficult phase, Mr Sivasamban has carried the Company through to one of its most successful years in 1967. All of you I know will wish to join me in expressing our sincere appreciation of his excellent services to the Company and in wishing him a happy retirement. I am glad to announce that your Company will continue to have the benefit of Mr Sivasamban's rich experience as he has consented to continue as a non-Executive Director of the Mills.

I take this opportunity also to welcome Mr. J. Thomson who will take over as Managing Director of the Managing Agents. Mr Thomson is not new to you. He has been on your Board since 1965. He will bring to his office his wide, varied and valuable experience as a Senior Executive of the world-wide organisation of J. & P. Coats Ltd. With his urbane manner and pleasant human touch, I am sure he will usher in for the Mills another era of prosperity and good service.

Before I conclude, I wish to express my appreciation of the Staff and Employees of the Company for their valuable contribution which has enabled the Company to achieve satisfactory results during a difficult period.

(Sd.) M.A. MUTHIAH CHETTIAR.

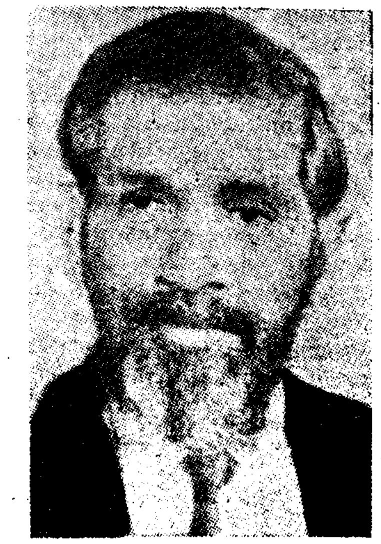
NOTE: This does not purport to be a report of the proceedings of the meeting.

COMPANY MEETING

COROMANDEL FERTILISERS LIMITED

Statement of the Chairman, Dr Bharat Ram

The following is the statement of Dr. Bharat Ram, Chairman of the board of directors on the occasion of the Sixth Annual General Meeting of the shareholders held on March 25, 1968



Dr Bharat Ram

Ladies and Gentlemen :

It is a great pleasure to welcome you to the Sixth Annual General Meeting of Coromandel Fertilisers.

The year that passed since we last met has been a most significant one in your company's progress. The economy is showing signs of recovery and there is a general sense of buoyancy in the air and people are hoping that the signs of revival are real.

Completion of the giant facility at Visakhapatnam the largest private sector fertiliser plant in India is now a reality. Production of fertiliser is underway and the farmers of Andhra Pradesh have available from the factory the finest products in India if not in the world. On December 10, 1967, Shri Morarji Desai, Deputy Prime Minister of India and Sri Grandhi Ramamoorty Setty, a farmer from Anakapalle, inaugurated the Visak plant in the presence of many dignitaries from all over India and the United States. The completion and dedication of this modern facility marks a milestone in the private sector fertiliser industry and in Indo-American cooperation. We all can be justly proud of this major accomplishment.

In recent years, the agricultural sector in the Indian economy has rightly received its pre-eminent place. Planners and technologists are pooling their collective intelligence to forge new tools for attaining higher agricultural output. Addressing the Indian Science Congress, an eminent scientist used a new expression—"exploitive agriculture" as different from "natural agriculture". While genetic tools and new strains are being developed for improving agricultural yields, and new practices are being evolved to increase food production, it is obvious that the new agricultural strategy demands an integrated effort to make this agricultural revolution a success. Such an effort calls for the right kind of market information being made available to the farmer and a realisation that there is need for an effective development of other factors like provision of improved seeds, pesticides and, last but not least, that prevasive factor—water. Water resources and the management of water—whatever the source either from monsoon or irrigation facilities—are of vital significance in making the use of fertilisers profitable. This company and its promoters have for long recognised that while research and education are important, it is also necessary that market information regarding fertiliser and its proper distribution is of vital interest to the community. Mere production of fertiliser however important and indispensable is not by itself the complete answer. The entire experience of the developing world has taught us that accumulation of knowledge in agricultural science and technology in production can be of lasting and optimum benefit only when the right kind of fertiliser is made available to the farmer at the right time and at the right place.

It is heartening to note from various platforms that the importance of fertilisers to increased agricultural productivity has received increasing emphasis and Government are trying hard to interest investors to enter this field of fertiliser industry in India. Your Company has the satisfaction of being one of the earliest to step into this industry long before the break-through in fertiliser policy came about in early 1966. In a sense, therefore, your Company has been a pioneer and it is my hope that the management of this Company will continue to play its important role in the development of agriculture in this country not only by providing a fine product to the farmer but also by making the farmer conscious of the need to use the various other inputs in his effort to obtain the maximum yield from his land.

The year that went by was important in another way for your company. New financing was arranged and completed which added Rs. 5 crores to the capital structure of Coromandel. Existing shareholders subscribed to Rs. 1.09 crores from an equity rights issue and Rs. 3.91 crores was granted by way of loan by the U.S. Agency for International Development. As a result, the capital assets of the Company now stand at Rs. 49 crores making Coromandel one of India's largest private sector enterprises. Additional financing was necessitated by increased costs of procurement and construction caused largely by devaluation of the rupee and increased levies on imported machinery and equipment.

Plant construction, however, suffered a number of set-backs during the year forcing delayed completion and start up of the Plant. Several labour disputes in the spring of 1967 coupled with the closing of the Suez Canal in June because of the Middle East war caused postponement of equipment arrival and placement. Following completion of construction, start up operations were begun. They have proceeded smoothly, with the first output of urea in December and manufacture of specification grade 28 : 28 : 0 complex fertiliser early in February. Despatches were made immediately through the E.I.D.-Parry sales organisation and distributor network to the Andhra farmers. At this date production and sales are continuing as anticipated. All portions of the factory are running well. The Ammonia and Urea plants are operating significantly above their design rate.

Shortly after factory operations were under way, the last of the imported Seeding Programme fertilisers were sold. It is perhaps timely to make a few remarks about the success and disappointments of the Seeding Programme. The prime accomplishment of the effort was the introduction of the principal product to be produced at Visak to the ryot I can report with some pleasure that Andhra cultivators have obtained outstanding results with Coromandel Gromor Ammonium Phosphate. The product enjoys the highest repute with its users.

At the outset, we hoped that the Seeding Programme would test the sales, distribution and transportation system to the fullest in selected areas. For several reasons, this could not be accomplished. The availability of covered rail wagons to transport Gromor Complex and Urea to the market remains a concern. Nevertheless, your management is hopeful that such problems can be minimised by the continuing efforts of both its people and Government.

Another difficulty being experienced during initial operations is the uncertainty of reliable electrical power transmission to the factory. Because any deficiency in this area is critical to profitable performance, concerted attention is being devoted to this problem and hopefully the situation will be substantially improved when a second source of power is available within a few months.

A bright spot in Coromandel's position is the quality of personnel recruited for administration, marketing, plant operations and maintenance. They underwent an intensive training period in the plant during the year preceding start up. They have performed completely to our expectations and as a result we may release several expatriate technicians ahead of schedule.

In keeping with its declared objective of ensuring that the product is available to the farmer at the right time, Coromandel views the question of warehousing as no less important. The programme your Company develops for warehousing will, therefore, take all aspects into account and considerable thought is presently being given to this matter.

During the financial year Coromandel welcomed Vaughan C. Hill as its new Managing Director and James Z. Hoffman as the new Deputy Managing Director. They replaced Luther L. Powell and William T. Brooks respectively. Appreciation is expressed for the major contributions of these gentlemen as well as those of Donald I. Meikle, former Secretary and Louis Haley, former Marketing Manager who also departed last year.

The outlook for your Company this year is good. Production and sales should build up to expected levels. Raw materials for manufacture are assured by suitable long term contracts with reliable suppliers. With the completion of new financing the required funds are available to meet all obligations.

Finally I wish to congratulate all employees of Coromandel for their unceasing dedication to the sucess of the Company. I know they will continue to merit the confidence placed in them.

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

RECORDS AND STATISTICS

F.I.C.C.I. SESSION

L. N. Birla Pleads for Freedom-Based Enterprises

MR L. N. BIRLA, President of the Federation of Indian Chambers of Commerce and Industry, put forward the view that only those measures which free the economy from restraint are the safest and the best, in his address at the 41st annual session of the Federation held in New Delhi on March 30, 1968. Full text of his address follows:

It is my privilege and pleasure to welcome you all to the 41st annual session of the Federation.

Madam Prime Minister, we appreciate the honour you have done us by agreeing to inaugurate it. Thanks to the tradition set by your illustrious father, this inaugural function has acquired a special significance as an occasion when the government and business get together at the highest level to take stock of the nation's economy, exchange ideas on problems of mutual interest, and find ways and means of advancing our national objectives through common programmes of development.

As President of the Federation, I have had many opportunities in the last 12 months to express my views on topical and important economic problems and developments. Today I believe it will be useful if I place before you and the audience here some of the major issues to which both the government and industry must address themselves with purpose, realism and urgency if public anxieties are to be allayed and the nation's needs met.

Madam, even as the late Jawaharlal Nehru did before you, you have been rightly reminding our people not to forget or make light of the solid, even spectacular, achievements of our nation in many fields in the years after Independence. I readily agree that it is not only a matter of national pride but of essential national self-confidence that there should be this recognition in our minds of our own effort and its fruit. Far from standing still, our country and our people have advanced in many directions, including in the direction of the betterment of the living conditions for the vast masses with promise of more to come in the future.

Noteworthy Record

In this the record of the government has been noteworthy. Millions of our children have been provided with educational facilities, expenditure on public health has been going up, and electricity has been taken to the rural areas. Even in the field of agriculture, which has been and still is so vulnerable to the vagaries of weather, the inertia and the fatalism of the ages are being dispersed. Over the last three years, a new spirit of positivism has emerged, with farmers, big and small, becoming fertiliser-minded and eager to use better seeds and scientific cultural practices. The government's own new agricultural strategy, though still young is making itself felt in the countryside. While the larger food production in 1967-68 is welcome in itself, its greater significance surely lies in its indication of a psychological revolution in the farming community.

As for the business community, it is not only not unaware or unappreciative of the economic progress we, as a free country, have been able to make in the years since 1947, but it is also conscious and proud of the contribution it has made to this advance. Productive capacity has risen in both capital and consumer goods industries; and the structure of industry and commerce today is much more broad-based and diversified in the manufacture and distribution of goods and services than it was even 10 years ago. The economic base has become larger and stronger so that besides financing the cost of the government and national security, it is also able to meet to some extent the rising expectations of the people for more as well as remunerative employment opportunities and improved conditions of living.

Nevertheless, much more remains to be done. Madam Prime Minister, nobody is more sensitive than you yourself are to the need for our country to place its economy on a self-reliant basis. We have to generate enough resources and energy for steady and rapid growth. The present generation is no longer content to accept the standards of the preceding generation. Even in developed countries people grow critical when the normal rate of economic growth declines, or when the general progress of the economy is not reflected in living standards. This feeling is common everywhere, whatever the economic or political system. In the USSR, new incentives for work and for larger consumption are being tried. In the USA, there is the new "back-wash" thesis of how to bring into the mainstream of affluence the families with incomes less than $3000 per year. This sum of $3000 is considered to be the poverty line.

Immense Leeway to Make

In a poor country such as ours, the leeway to be made up is immense. There is little time to waste and a long way to go. At the end of the third Plan period, according to official statistics, roughly 61 per cent of households or as many as 11.4 million families in the urban areas, were living in slum conditions. In the rural areas about 82 per cent of the households or 62.7 million families had only kutcha houses. If anything, these figures are conservative, and must have gone up since. Our principal cities and towns have poor amenities. In rural areas such amenities are almost absent. Even after two decades of Independence we are yet to provide drinking water in all rural areas. Millions are still unemployed and opportunities for the educated keep shrinking.

A menacing insecurity is on the move. Anti-social elements are easily able to exploit this mood, and spark it to violence. The state of unrest which has prevailed, particularly since the last general election, points to a close causal relation between the incidence of public disorder and economic stagnation.

While political stability is sine qua non for a programme of economic development, economic development is equally essential for political stability. Unfortunately, in some of the states the political situation is unstable and fluid. In contrast, we have a stable centre which in the prevailing conditions has additional strains to bear. All this economic and political malaise can still be overcome if there is a will to achieve a breakthrough to expanded production and to higher living standards.

We can generate that will if all of us become conscious of the new urge of the people for good and decent living. This urge is the most potent factor for economic growth. And this urge has to be met, whatever 'ism' we nurse or argue about. The 'ism' that fails here will surely fall.

I believe that freedom-based enterprises, both in the private and public sectors, within the framework of political democracy, are not only best suited to our genius, but are also the most effective. The more I reflect on this, the more I am confirmed in my opinion that only those measures which will free the economy from restraints are the safest and the best.

In the current agricultural year we are expecting a bumper harvest. This will ease to some extent the stresses, whether inflationary or recessionary, and restore the balance between industry and agriculture. But a better crop by itself will not lead to more jobs or stimulate industrial growth. In other words, neither the government nor industry can hand over its responsibilities to the divinities that may preside over our monsoons.

Today, we face the great challenge of relieving the distress of the teeming unemployed millions. We must have a forward-looking policy. More public spending on roads, power, hospitals, drainage, housing and the like will be conducive to growth as well as employment. Between the objective of economic development and the creation of many new jobs a workable relationship has to be established. Employment must be made free and productive in the sense that there is the fullest possible opportunity for every citizen to qualify and to take up a job for which he is suited in any part of the country. Also, education and training facilities will have to be provided on an adequate scale. We have no right to evade the obligations to provide jobs for those who train themselves; and we have no right to break their betterment by limiting admissions to technical schools or colleges. Jobs, however, can be created only when our economy becomes dynamic and moves in response to an expanding demand for goods and services in general.

I advance the view here without any hesitation that there need be no inherent conflict between public and private sector enterprises. This is the time for co-operation, more co-operation, in many more ways. As taxpayers and citizens, businessmen are anxious to see that the public sector enterprises run well, earn well and bring revenue to the government. A lot of money has been spent on these projects, most of which are not giving a good return. There is general agreement that their management requires to be more efficient. Let no one, therefore, entertain the mistaken notion that the private sector is out to malign the public sector. We eagerly look forward to the day when the expectations of our planners for surpluses from the public sector enterprises are fulfilled.

Idle Capacity

An immediate problem for the public and private sectors alike is the utilisation of idle capacity. This means that the industrial units must be enabled to activate idle capacity and find a market for what is produced. If existing industry cannot become viable, it is futile to expect that industrial expansion through new units will take place. From our side, we must learn the lessons which market movements teach. Losing concerns may have to change hands, or they may have to cease to operate altogether. Management must become more cost and quality conscious and also strive for economic operation, amalgamation, diversification, expansion, or, where necessary, decentralisation and dispersal. I plead that government policies help such a drive and not stand in the way.

All those who want to transform our society and make it affluent must deplore the fact that the capacity of the consumer to buy has been weakened and the outlook for expansion has been adversely affected during the past few years. While we appreciate the conditions under which high levels of taxation have become necessary, we would like government also to appreciate the need to reduce taxation to economic levels, as soon as possible, because otherwise consumption and growth will grievously languish.

The instruments of public finance are no doubt an important determinant of the level and direction of consumption and investment. But, as Finance Ministers must recognise, the resources available either to the public sector or private sector, whether through taxation or profits, are all part of the same pool. Even so, year after year, taxation has been excessively deployed on the hypothesis that a mere diversion of savings from the hands of individuals to government would somehow augment resources.

When both direct and indirect taxes are high there is lower disposable income with the people, and lower disposable income means a cut in consumption spending. If investment is more or less constant—as it is—a reduction in consumption spending will reduce the net national product and employment. Private savings can come only out of individual surpluses of income over expenditure, or out of corporate profits. But the level of taxation does not leave room for private savings in any significant manner or measure. In the absence of demand, industries are stagnant. In the absence of savings, there is no investment. Government revenues too have slumped on account of the incapacity of the people either to buy or to save. The vicious circle is about complete. In short, my point plainly is that the present level of taxation is uneconomic for the government, unwanted by the economy and unhelpful to the people.

Broad-Based Reliefs

A situation has developed in which the Deputy Prime Minister and Minister of Finance, Mr Morarji Desai, in presenting the budget for 1968-69, had to reiterate the fact that a limitation of resources in the community has imposed constraints on development and taxation. Some of the budget proposals are no doubt intended to stimulate activity in selective areas. This is welcome; but unless tax reliefs tend to become broad-based, the much needed overall stability and a sustained spurt in activity will not spring forth. I have, therefore, every confidence that, with the new awareness in the government of the gravity of the situation, policy measures will be increasingly directed to releasing the productive forces in the economy. May I submit that our recession which threatens to be long drawn, can best be fought when it is recognized that a rupee spent by the citizens is more powerful than a rupee in the hands of the government?

In this context, I welcome the new direction in the monetary strategy of the Reserve Bank of India. For far too long government policy has been attempting to counter the inflationary facts of unproductive overspending or fiscal laxity on the government's part by a restrictive and negative credit policy. The inarticulate assumption of this practice has been that while the government cannot be expected to cut the coat according to its cloth, the rest of the community must be content to practise austerity, if need be to the point of impairing its productive functions. I am glad to note that there has been some re-thinking on the part of the government on issues of monetary policy in recent months. As a result, the Reserve Bank of India has taken several steps to liberalise bank credit for industry and commerce and is also reorganising the interest rate structure in a more realistic manner. Addressing the inaugural meeting of the National Credit Council in Bombay, the Deputy Prime Minister and Minister of Finance pointed out that one of the great advantages of credit policy was that it was a relatively flexible instrument capable of quick reversal of direction to suit changing circumstances. He added that this advantage would be lost if credit policy were not actually used in a flexible manner and expectations of a change were generated in only one direction. I wholeheartedly endorse the logic of these observations. At the same time, I would suggest that the new approach of using credit policy as an adjunct of the larger economic policy for the revival of the economy should be given a long enough trial. Only then, it will have a fair chance of working out itself.

Our country is not wanting in resources—material or human: they only require to be invigorated through policies which are permissive and stimulative. One of the assets of our country is its geography and a potentially vast market. In western Europe, nations have integrated themselves to form a European Economic Community, so that they might bring about cheaper production on the basis of economies of scale and efficient marketing. If we scan the world economic rhythm we find economic forces and technological development bringing about a new structure of economic activity. Farsighted American and European companies are responding to growth opportunities. A new management is emerging to respond to new economics. New ideas with respect of training of managers—central management and managerial sub-components, including marketing, research, etc.—are appearing. Private enterprises in India too will have to be more alert and learn to respond to processes and trends rather than merely reacting to specific problems. There is a tendency to cling to the status quo or to resent criticism. An ancient axiom says that only the wheels of a cart, or the thoughts of a coward run in the same grooves. It is unprofitable to be frightened or become despondent. We have as many opportunities as there are challenges, or even dangers. It is the duty of those who are in business to take risks. Our objective must be to increase production and increase sales. In this effort, industry, trade, government and labour should join hands. We must make the hope of an affluent society for our masses a reality. This is real socialism.

We must carry forward these processes of progress. In this context, I believe, public discussion in our country about the size of Indian enterprises should take note of contemporary economic developments in India and abroad. The danger is not concentration, but backwardness and stagnation. If we are to modernise our economy, even the agricultural sector requires to be run as an industry, while industry itself should become aggressively scientific and modernise its technology and management.

Encouraging Savings

I may again refer to Mr Morarji Desai's speech to the National Credit Council. As he noted, the bumper harvest of the current year should add about Rs 1,000 crores or more of income to the rural sector in the normal course. He is right in calling upon our commercial banks to look ahead and seize this opportunity of mobilising rural savings. I am sure that the banking system will rise to the occasion, but here again much would depend on how the government itself acts to convert the statistical probability of increased rural incomes and savings into an economic reality. I am one of those who have always laid stress on the implications of the shift of incomes to rural areas for the formulation of a sound national economic policy. While I agree that the banking system and the government's own small savings movement ought to step up their efforts for encouraging savings in the rural sector so that some part of the increased rural incomes could be made available for purposes of development, it seems to me that there are certain important prior conditions to be fulfilled.

In the first place, the liberalisation of the structure of food controls has become essential if farmers are to take advantage of increased production to improve their earnings. While I welcome the trend of thinking, especially among the chief ministers of state governments, towards the relaxation of restrictions on movements of or trade in foodgrains, I would urge that more vision and courage should be brought to bear on the task of adjusting our food policy to changing situations. In particular, I wonder whether there is any continuing justification for the compartmentalisation of the national food economy through the existing zonal barriers. The needs of a sound procurement policy by which the government could build up a buffer stock of foodgrains could certainly be served without the help of high degree of regimentation which now characterizes our food administration.

The second point I would like to make here is that for rural savings to improve it is not enough if rural production or even rural incomes go up. Paradoxically enough, villagers generally and the surplus agricultural producers in particular, should be encouraged to improve their standard of living by consuming more of industrial products. I submit that there will be no real contradiction between such an increase in the range of rural consumption as I advocate here and the generation and mobilisation of rural savings. If the farmer's propensity to consume is helped and encouraged his disposition to produce more and earn more will be stimulated and this will increase his capacity to save. Again, the further monetisation of the rural sector, without which rural savings cannot be mobilised effectively by the banking system or other means, can be brought about only if in the first instance the farmer is taught and trained to sell his produce for cash with which to buy more and more consumer goods manufactured by industry.

I believe that the stage is now set for the rural sector to play an increasingly important role as a consumer force. Both government and industry must gear themselves to this new challenge and meet the emerging demand in the countryside for consumer goods, including semi-durables and durables.

Key Role of Foreign Exchange

Foreign exchange earnings play a key role in the development of the country. Such foreign exchange resources can be earned by our exports and also by attracting investment and credit from abroad. In this view of things I wish the budget proposals had taken note of the suggestion made by different industrial and commercial organisations, including FICCI, of having some kind of a link between exports and imports. At a time when both multilateral and bilateral government-to-government aid is falling, the contribution of private investment is increasingly important. The ground clearing operation to get rid of the procedural obstacles and delays in the way of foreign private enterprises must be speedily completed.

I believe that it is in our national interest to draw upon the store-house of technology that has been developed in industrially advanced countries. At the same time we must continually develop new processes and products. Towards this end, we must forge links between research, development and commercial production. Given policy encouragement industries in India can increasingly depend on their own processes and innovations. In other words, our policy must be such as will facilitate the appropriate use of foreign technology and simultaneously encourage self-reliance.

It is a matter of gratification to the business community in India, as to your government, Madam Prime Minister, that the United Nations Conference on Trade and Development took place in Delhi. Your own inaugural address rightly received widespread appreciation. We are glad that the contribution of the Indian delegation ably led by our Commerce Minister, was significant. By bringing discussion to bear on a wide range of economic relations between the developed and developing worlds, this conference has served to clear minds, even if, it has not produced the expected results. The contours of what is desirable and feasible have emerged in sharp outline. Once again, however, we are led to the conclusion that only when we develop our latent resources can our bargaining strength improve.

One of the major reasons for the unsatisfactory results of UNCTAD-II has been the contingent crisis, which manifested itself as a fact, in international currency market for the dollar and the pound. Less than a fortnight ago, following sensational developments, the international gold pool adopted a two-tier price system for gold. We are vitally interested in the stability of par values of currencies. This is essential for expansion of trade and investment. We will suffer should restrictive trade practices grow. India, which has certainly benefited from her relations with the USA, cannot but feel concerned about the instability of the dollar in the interest of the USA as much as our own. I trust that the USA's efforts to reduce the deficit on balance of payments account would not result in curtailing assistance to the developing countries.

May I also refer to the question of safety of our trade routes? For instance, the decision of the British government to withdraw forces east of the Suez by 1971 should inter alia have a bearing on our actions. Perhaps, these British bases in the global context are not of special significance. Even so, situated as we are, we must concern ourselves about how the vacuum created by the British departure will be filled. I do not suggest that we should step in to fill the vacuum but it seems prudent to investigate the possibilities of co-operating in this matter with like-minded countries in the region.

Fellow-delegates, if I have focused attention only on a few issues, it is not because others are not important. From the report of your committee and from my bi-monthly letters to the presidents of the member-bodies, you are no doubt aware that during the year the Federation has taken up many questions which affect the working and future growth of industry and trade. We had three seminars: one, on inter-dependence between agriculture and industry; two, on monetary and fiscal policies; three on tax structure. We also organised seminars on shippers' problems and international commercial arbitration through the All-India Shippers Council and the Indian Council of Arbitration. All these Seminars dealt with the crucial segments in which policy and administrative revisions require critical handling, and were attended not only by the representatives of industry and business, but also by a wide cross-section of the intelligentsia.

Before I conclude let me express my gratitude to my colleagues in the business community for the opportunity they gave me for serving as President of the Federation during a year in which there have been so many important economic and other developments. We have on our rolls nearly 200 chambers of commerce and industrial and trade associations, and their own membership totals over 100,000 establishments, big and small, having an employment strength of over five million. As our Federation is a servicing organisation, it has to reach all sections of industry and trade, and indeed the entire business community in India. Therefore, I made it a point to meet in different centres as many organisations and people as I could. I must say a special word of thanks to the many individuals in different states who took time to explain to me their problems. I have also greatly benefited from the discussions with many friends abroad when I participated in the Congress of the International Chamber of Commerce in Montreal and in the symposium on "Doing Business in and with India" organised by the American Management Association in New York; when I visited Japan and the Philippines as head of the goodwill industrialists delegation; and when I went to the UK to discuss matters of common interest with the chambers there. To my colleagues on the committee, I can never be sufficiently grateful not only for their kindness, but also for their encouraging watchfulness on my devotion to the purpose that stimulates the Federation. No institution can ever be a success without the untiring labour of its secretariat, and the Federation is no exception to that. My thanks are due to the secretary-general, the secretary and their assistants who have always been alert, assiduous and unrelenting in their efforts.

PM Seeks Industry's Co-operation for Progress

ADDRESSING THE forty-first annual session of the Federation of Indian Chambers of Commerce and Industry in New Delhi on March 30, the Prime Minister, Mrs Indira Gandhi, said that industry and government had a common concern in the development, progress and well-being of the country. She said that the country had a vast number of talented people, large resources and big installed capacities. The question was now to bend all our energies to utilising the capacities and to channelling our talents to proper use so that we could go forward with our social, economic and political revolution with the consent and co-operation of our people. Our country was attempting something unprecedented in human history. It was an exciting time to be alive, it was exciting and invigorating to be involved in this tremendous task. We should be inspired by the challenge. The Prime Minister said that she had every confidence in the unity, stability and progress of the country. She sought the co-operation and partnership of industry in breaking the bonds of economic stagnation and in moving this vast nation towards its great future.

Following is the text of the Prime Minister's speech:

Mr President, delegates and distinguished guests, I am grateful to you for your words of welcome and am glad to have this opportunity of being with you all this morning. I have listened with interest to your speech. You have covered much ground. We might differ amongst ourselves regarding the analysis of certain problems and their remedies. But what is more significant is the fact that industry and government have a common concern in the development, progress and well-being of this great nation.

Mr President, if I may say so, your speech was informed by a constructive purpose. I hope that that is the purpose which will animate the day-to-day relations between government and industry. Indeed, without such a continuing dialogue, annual exchanges of compliments cannot take us very far.

It is to be expected that at every meeting of your distinguished Chamber there should be some complaint against the inequities of taxation. This year, I should have thought, the government would receive a measure of understanding response for its forbearance and even concessions. But, human nature being what it is, I can well understand that palliatives are not enough to cure chronic dissatisfaction which is not unique to our country. One can sympathise with tax-payers. but can one ignore the fact that those who pay are far too few, those who ought to pay are many and those who just cannot pay, number millions.

Taxation is not merely an instrument of transferring resources from the people to the government. It is also an instrument for transferring resources from the rich to the poor and from consumption to investment. It is the mechanism through which services, which must be provided by the community and not by the individual, items as varied as defence, roads and education, are paid for. Only a few days ago, a massive dose of taxation has been imposed in Britain to save the British economy from certain trends and threats. What the level of taxation should be, at any given time, calls for a deep study of the prevailing situation, as well as of the direction in which the economy should be moving at that point of time. Last year's experience has shown that a cut in government expenditure can have a depressing effect on industrial economy, particularly in the capital goods sector. So, a sectional or a static view can be dangerous. If we think only in terms of today, we might seem to be better off if taxes were reduced. But the results tomorrow may be very different. There would either be large-scale unemployment, following cuts in government expenditure or a further upsurge of prices due to inflation. So, taxation should not be discussed as an issue between the government which levies them, and business and industry and even the consumer who pay, but in terms of its impact on the economy, whether it acts as an accelerator or as a brake.

Certainly let us argue about taxation and about production being the key to socialism. But do not let these arguments drown realities. And the realities are that in the world today, as indeed in our own country, millions upon millions of people have become conscious of their rights, even though the consciousness of matching obligations has not grown correspondingly. The task for politicians and businessmen, for scientists and for sociologists is to deal with this present-day reality. It is logical to say how wonderful everything would be if industry were organised and business run on the basis of the laws of the market of supply and demand, unfettered by other considerations. But is this possible? I am not going into the question of desirability, but only posing the question of possibility in this, the later half of the 20th century. How do we then face the overwhelming majority of people who are abysmally poor, who are denied their basic needs. Those who work in the political field have a right to ask this question of those who work in industry. It is important to increase production, but, that is not the whole answer. For the problem is not one of finding the ultimate solution, but also of answering the questions of today. I should indeed be happy if there were some magic formula which would bring the three elements together in a symphony of satisfaction and euphoria. There is no magic except that the ceaseless search and endeavour. Government's approach has to be empirical, whether in respect of taxation or in respect of control. No one derives pleasure in having controls for their own sake. We resort to them, selectively, in response to varying situations of our economy. As soon as conditions mature, when controls cease to serve the purpose, government has had no hesitation in modifying or even dismantling them.

Technological Revolution

There has been much talk of the neglect of agriculture. But the argument between industry and agriculture has no meaning, for each is dependent on the other. We could not have achieved a breakthrough in agriculture, had there not been something of an industrial base. What we see today, is not just a bigger harvest, but a widespread process of technological change in Indian agriculture. The story goes back to the much maligned community project and national extension service movement, which constituted one of our earliest exercises in planning. It was this which exploded the ancient myth of the conservative Indian farmer. The farmer followed practices learnt from his father, because he had no margin with which to experiment or take any risk. However, as soon as the possibility and profitability of change was demonstrated, the farmer was in the vanguard, demanding fertiliser, improved seeds and the rest of it. The package programme constituted the next step. With the adoption of high-yielding varieties with higher doses of chemical fertiliser the breakthrough has come. Now that a dynamism has been imparted to Indian agriculture, we have to keep moving.

Here then is a tremendous challenge to industry. An enormous market has opened up with an appetite that will grow, as it is fed. It is significant that in the past two years, when certain industries have suffered a setback because of recessionary tendencies, agro-chemical and agro-engineering industries have forged ahead. This trend is only a beginning and could trigger an entirely new pattern of industrial development. The current recession at home has also demonstrated how vulnerable our capital goods industries are to short-term contractions in domestic investment.

I welcome your exhortations to fellow-industrialists, to respond to new ideas in the field of management, and the utilisation of science and technology as essential components for the achievement of excellence in the field of industry. Without such excellence and deep concern with the problem of export promotion, our nation will never make headway, howsoever much we may sell goods in the protected and large domestic market.

Mr President, you have referred to UNCTAD and expressed disappointment with its results. I share your sense of disappointment. But if it is right to point out, and I think it is, that the rich nations owe a duty to the poor nations, based on the common interests of the rich and the poor in securing the stability of the world order, then the well-off sections of society owe a corresponding duty to the poorer sections in the common interest of the stability of that society as a whole. Can we apply one set of standards to judge the performance of the rich nations, and another within our own country? If the art or science of international politics consists in building bridges between the rich and poor nations, the art and science of our own domestic politics must consist of building bridges between riches and poverty, between affluence and penury, between the dwellers in the mansions and the dwellers in the jhuggis and jhonparies. Without some such perception and balance, we shall be engineering chaos, instability and unheaval. Taxation is a small price to pay in order to create an atmosphere that those who have affluence also possess a conscience and a sense of duty to the have-nots.

Imaginary Barricade

Some of the major themes of your address are clear enough. It is the inarticulate major premises of your reasoning which need to be carefully examined. Such an examination should take place in an atmosphere which does not evoke the image of the government and industry being on the opposite side of an imaginary barricade. I believe that the only dividing line in India is between those who think and feel in terms of the totality of our national interest and endeavour, and those who are guided by particularism of one sort or another. I am strongly opposed to the latter and I make no secret of this. We are one country and one people. I cannot admit of the validity of any loyalty other than to India. I shall always resist the walls of ignorance, of prejudice or of sectional interest of one sort or another.

Human affairs are extraordinarily complex. In trying to unravel them, and to advance our understanding of them, we naturally begin to translate the unknown in terms of the known. We try to comprehend things in terms of our own predilections, preoccupations and interests. This is perhaps natural, but if we are interested in seeing the whole truth, we should make allowance for the distortions which are inevitable when one examines reality in terms of a special standpoint.

A politician sees issues in terms of his own discipline. So does the economist and the scientist. The task of creative thinking is to ensure that analyses of human affairs, even when conducted from a specialised angle or interest, are not put forward as examples of final truth. In this, it is necessary for each one of us to have a feeling of involvement. I am therefore glad that women and the wives of our industrialists are taking interest. Contact with the families of other sections of our people will perhaps give you also first hand knowledge of the other side of the picture and of their problems which are famine.

India is in transition—in political, economic, and social transition. And many of the stresses and strains which we witness today are manifestation of the tensions that go with

growth and change. The so-called political instability is a symptom of the deeper social and institutional transition, as our political system adjusts to new situations and circumstances, 20 years after Independence. As industrialists, you are familiar with the concept and the function of the infrastructure in economic development. There is something in the nature of a political infrastructure too. This comes of experience in working the Constitution and the evolution of certain norms and conventions. As industrialists, you are also familiar with the problems of commissioning a highly complex plant or machine, and know, that there will be some teething troubles. So it is with an elaborate political system which has only now been fully commissioned in an altered situation. The phase through which we are passing might have come sooner, but for a unique combination of political circumstances which gave us stability during the earlier, formative period. We certainly should not be complacent. But neither need we be overawed.

Many controversies would be silenced if we realized that complex human problems do not yield to purely economic theories of one sort or another. Our politics too would be reinvigorated by the awareness that no one part of India can buy security and, much less, prosperity.

Our achievements over the last twenty years are there for all to see. And I am glad, Mr President, that you should have taken cognisance of them. However, we cannot be complacent when we contemplate our present responsibilities and our future tasks. The very process of change produces tension. It has been said that the whole of human history could be described in terms of tension between the forces of change and the factors of continuity. The tensions which our society is experiencing take varying shapes some ugly and even dangerous. Throughout our history, we see two rival and contradictory forces at work—fissiparous tendencies which separate and pull down, and the forces in favour of synthesis and absorptions. So today also, negative features exist, but there are also powerful forces working for political and cultural unity.

We have a vast number of talented people. We have large resources. We have installed large capacities. The question is now to bend all our energies to utilising the capacities we have built, to channel our talents to proper use, so that we can go forward with our social, economic and political revolution, with the consent and co-operation of our people. Our country is attempting something unprecedented in human history. It is an exciting time to be alive, it is exciting and invigorating to be involved in this tremendous task. Let us be inspired by the challenge.

I should like our captains of industry to see the totality of our national picture even while they pursue their special interests. I should like your discussions to be fertilized by the ever-present consciousness of the dignity of our country and the destiny of our nation. I have every confidence in India, in its unity, in its stability, in its progress. I seek the co-operation and partnership of your Federation and of industry generally in breaking the bonds of economic stagnation and in moving this vast nation towards the great future that is its destiny.

I have great pleasure in inaugurating the forty-first annual session of the Federation of Indian Chambers of Commerce and I wish you success in your deliberations in the interests of our nation.

FICCI on the Economic Situation

THE FOLLOWING three resolutions were passed by the Federation of Indian Chambers of Commerce and Industry at the 41st annual session held in New Delhi between March 30 and April 1:

EXPORT PROMOTION

The success of our efforts to raise the standard of living of the people depends in a large measure upon our capacity and ability to earn more foreign exchange. Increased exports are necessary for meeting our essential import requirements and for discharging our debt obligations. It is a matter of concern that although the authorities constantly emphasise the need for stimulating exports, our economic policies have not been conducive to vigorous export drive.

In this context, the Federation must refer to the fact that the devaluation of the rupee has not produced the expected results. It has been amply proved that it was an ill-conceived measure. The marginal increase in terms of foreign exchange that has taken place in exports last year over the level of 1966 cannot but be regarded as unsatisfactory by any standards. It is incumbent that measures are taken, both nationally and internationally, to implement a proper programme of promoting exports. The Federation would recommend the following measures :

1. Creation of a suitable export climate so that all wings of government—central, state and local—as also the public at large, co-operate fully in implementing the export programme.

2. Continuous efforts be made to diversify exports and to place increasing emphasis on exporting finished and semi-finished goods in preference to raw materials. It does not, however, mean that we lose sight of export of traditional items and augmenting them substantially.

3. Special consideration should be given to adoption of latest technological developments and to reach the economies of scale in production for the development of products for exports. Suitable policy measures have to be designed by the Government of India to reach this objective.

4. The burden of export duties on exports has to be eliminated and all tax elements which inflate our export price need to be rebated.

5. Some form of linkage of exports and imports should be devised to create additional incentives for exporters, and the schemes of assistance must be liberalised and streamlined.

6. Foreign travel for market study and sales should be made as free as possible, business houses allowed and encouraged to open branches abroad and facilities provided for settlement of claims expeditiously.

7. Appropriate machinery has to be set up within government to take quick decision on all matters affecting export effort.

8. To help units situated in the hinterland to promote exports, the proposal for establishing a suitable organisation at Delhi and other areas should receive immediate consideration.

9. The importance of increasing invisible earnings through shipping, banking, insurance and tourism should be realised fully. The Federation would like that a vigorous programme for attracting foreign

tourists should be implemented by taking all possible measures.

10. Industry and trade must also fully appreciate the need for augmenting export by continuously striving to improve quality and packaging and providing after sales service.

COTTON TEXTILE INDUSTRY

The cotton textile industry has been passing through a very difficult period for over 3 years and the number of units closing down or on the brink has reached such proportions as would cause concern to all having any interest in the well-being of the national economy.

It is well to recall that the cotton textile industry has been the spring-board of the industrial development of the country and it continues to occupy a pivotal position in the country's economy. On the well-being of this industry depends the well being of millions of agriculturists, traders, workers, the handloom and powerloom weavers as also a host of allied and ancillary industries like manufactures of textile machinery, starches, dyes, chemicals, shuttles and the numerous accessories used in this industry.

Although government had assured that the prices of controlled cloth would be reviewed and readjusted every six months, no price revision has been made since April 1967. Even at the time only partial increase was granted. In spite of sharp rise in cost of production the prices of controlled cloth remain the same as were fixed in April 1967.

The Federation regrets the continued apathy of government to the travails of this premier industry and the attempts in some quarters to belittle the gravity of the situation by putting the whole blame on the so-called mismanagement of mills. The Federation considers that the recent Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction Act) authorising government to take over and run or sell in auction cotton textile units, is a remedy worse than the disease.

The Federation considers that removal of the malaise prevailing in the textile industry is of crucial importance in fighting recession in the economy and calls upon government speedily to apply the following remedial measures, viz.,

1. Abolition of the control on cloth prices which is being administered in a manner injurious to the health of the industry together with substantial reduction in excise duty on cloth and yarn;
2. Reduction of sales-tax on cotton;
3. Augmenting resources of the self-financing scheme of the industry for promotion of exports;
4. Intensifying efforts for increased production and improvement in the quality of indigenous cotton and supplementing the efforts of the industry in this direction;
5. Rationalising the policy for imports of cotton so as to enable the industry to buy foreign cotton on advantageous terms; and
6. Speedy arrangement for making finance available to the industry on easy terms for rehabilitation and modernisation.

ECONOMIC SITUATION

The economic situation has been a matter of great concern to the Federation as also to government. The economic survey for 1967-68 has highlighted the crucial problems. There seems to be an underlying belief that one bumper crop will by itself provide a secure foundation for economic recovery. No doubt the Deputy Prime Minister and Minister of Finance has taken some policy measures to get the economy moving. While these measures are welcome, in the opinion of the Federation, a bolder approach is required to create an environment for economic growth which is necessary to provide larger employment opportunities and improve the standard of living of the vast masses of people. The Federation considers that the present time is opportune to initiate an action-programme on the following lines :

1. The capital market which has been depressed for long must be made active. This will be possible only if there are larger savings in the hands of the people and companies through a reduction in direct taxes. The test of a healthy capital market lies in the extent to which new floatations are taken up.

2. As the present dip in demand for a large number of industrial goods is due to lack of purchasing power with the consumers, there must be a selective reduction of excise duties.

3. The reduction in the bank rate from 6 per cent to 5 per cent can stimulate investment activity only if commercial banks and financial institutions lower their lending rates.

4. While government must bring down non-productive expenditures, as on administration, productive outlays must be stepped up, so that the many gaps in our infrastructure can be made good.

5. The running of government enterprises which have become an important segment of our economy should be radically improved so that they may earn adequate surpluses and contribute to the exchequer.

6. Government must encourage industry to grow to an economic size and to modernise its techniques in order to reduce costs and increase exports.

7. At the same time the development of small enterprises must be fostered as promising avenues of employment and as productive adjunct of our industrial system.

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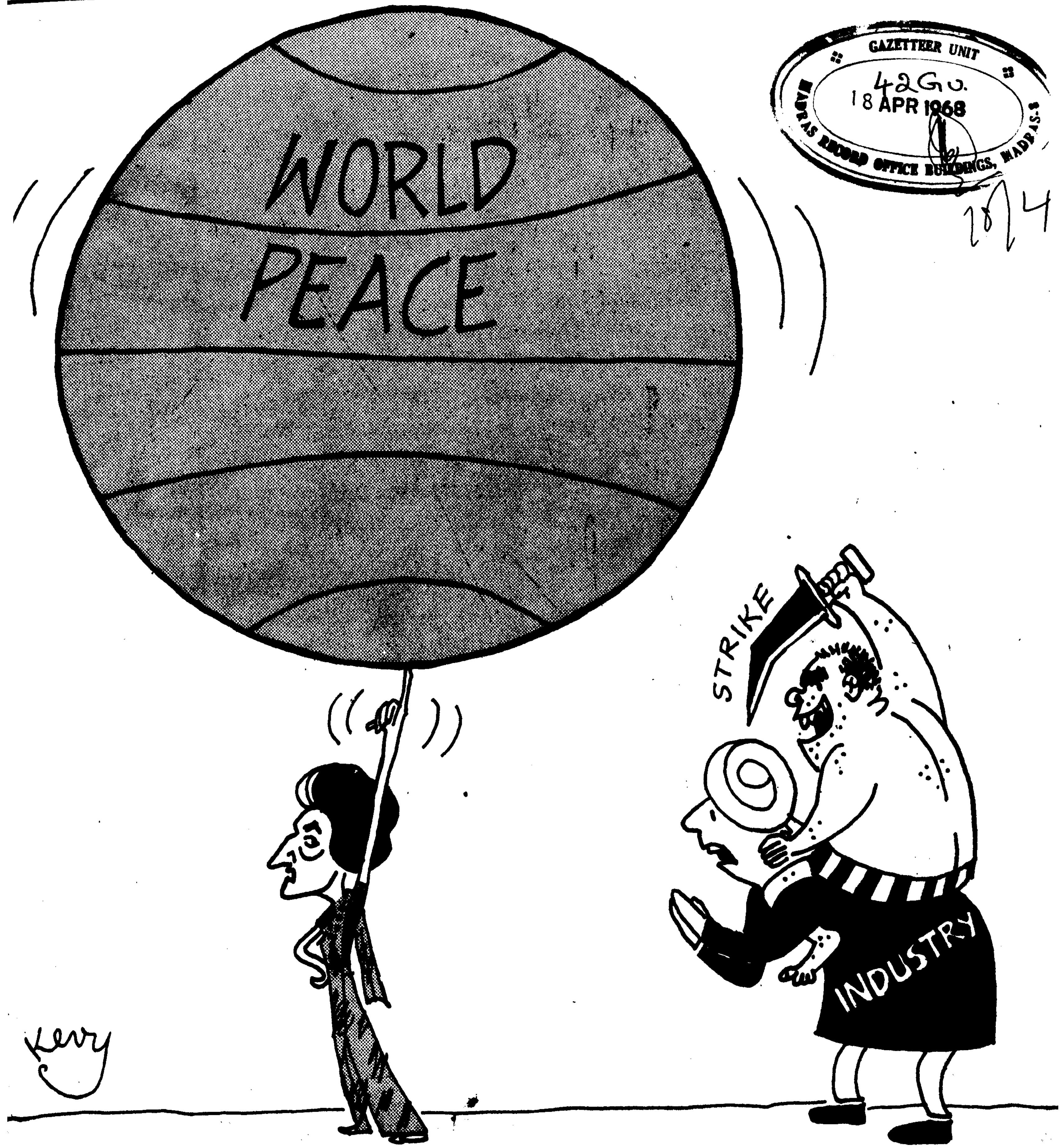

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Square Deal for the Donkey

THAT ITS more or less total preoccupation with UNCTAD-II had not come in the way of the higher hierarchy of the Commerce Ministry being ready on the due date with the announcement of its import policy, containing many important changes, for the year 1968-69, suggests that the ministry had been working on the processes of this decision-making in a solid way and over a period. There is indeed much thoughtfulness that has gone into this development of import policy on significantly new lines. It was expected, of course, that an element of compulsion would be introduced for the purpose of stepping up exports and it was generally agreed that there should be some effective linking of the claims of industrial consumers of imported materials and equipment to their export performance. The present Commerce Minister started with rather ambitious notions about a policy of compulsory exports, and it seemed, for a time at least, that some amateurishly adventurist experiments might be on the way. It is therefore all the more welcome that, ultimately, such temptation has been resisted and that a scheme, which certainly deserves a working chance, has been evolved. Its main virtue, of course, is that, to paraphrase Mr Dinesh Singh, while not sparing the stick, it is not ungenerous with the carrot. The donkey, in other words, cannot justifiably complain.

The new policy permits units in the priority sector to choose their sources of imports provided they export at least 10 per cent of their production. They are also promised ready facilities for expansion on the same condition. This concession will also be available to units in the non-priority industries exporting non-traditional items. This means that the division between priority and non-priority industries has become flexible, with the result that any good export performance almost anywhere is recognised to be a title to preferential treatment. This is a sensible relaxation of policy since a scheme of national priorities in industrial production need not have much validity beyond its own frontiers and certainly not in world markets where a different scale of consumer preferences may prevail.

So much for the carrot, and now for the stick. There has been a view that the import facilities and concessions given to units in the 10 industries in the priority sector have brought some but not sufficient return to the government or the country in terms of higher export earnings. The argument therefore has been that a little more prodding would not be out of place in this area of export promotion. The new import policy has acted on the suggestion by prescribing that units in the priority sector, which have been receiving varying degrees of cash assistance for exports, may have to forgo some of their privileges if their exports fall below five per cent of their production.

A truly welcome feature of the new import policy is that it takes an honest step forward in furthering the process of import substitution. The import of 260 items has been banned in the light of the fact that indigenous production has become available in sufficient quantity and up to reasonable quality. The ban covers products of sophisticated or newer industries, such as drugs, chemicals and machine tools. An interesting innovation is that import of equipment of the value of over Rs 7.5 lakhs required by existing industries for their expansion will be permitted only after the would-be importers have explored possibilities of domestic procurement by advertising in the ministry's trade journal. This condition will also apply to imports of steel castings and forgings valued over Rs 50,000. At a time when there is a certain extent of unutilized capacity in the various categories of engineering and fabricating industries, this stipulation seems both logical and fair. It is however not free from snags of the kind which have come to be associated with any pronounced intrusion of bureaucratic procedures into the area of normal business activity. It is clearly necessary that this policy should be administered imaginatively and with realism and responsibility. Otherwise desirable industrial expansion may be delayed because of government procedural delays as well as the non-existence in fact of domestic capacity to meet demands for equipment satisfactorily in terms of quality, delivery dates and prices. Incidentally, it is inevitable that the capital costs of industrial expansion will go up as a result of the emphasis placed on the internal procurement of plant or machinery, but this price would be worth paying provided it is kept down as much as possible and performance in terms of delivery dates, quality of products and installation and after-sales services could be strictly enjoined on domestic suppliers.

Finally, there is not much point in talking of import substitution unless the need is recognised simultaneously for the domestic manufacturers of sophisticated industrial equipment or other products to obtain freely foreign know-how wherever necessary. The government's record here is far from satisfactory; the case of the automobile industry may be mentioned as an example where penny-pinching attitudes towards the authorisation of foreign exchange for essential expenditure on know-how has come in the way of improvement in processes and products. It is to be hoped that the government will take less than the usual time in re-adjusting its policy suitably in this respect.

Awaiting Increased Demand in Cotton Textiles

THE COTTON mill industry is in a very bad shape indeed. Because this has happened due to circumstances beyond its control, the industry, which has been suffering from an acute demand deflation, coupled with continuous cost-push inflation, is entitled to relief not only by way of a reduction in excise duty, as it has long been legitimately looking forward to, but also to more positive assistance on the lines that its counterparts in the advanced countries, in particular the EEC countries and Japan, have already received and still continue to receive.

The problems pertaining to the industry presently engaging the attention of the authorities are the falling prices of cotton and the case for permitting hedge trading to stabilise cotton prices; the feasibility of further reducing the area of control on the varieties of cotton manufactured; the question of consumer resistance; the correct assessment of the profitability of the industry; and the need for according priority status to the industry. In formulating solutions for these problems, the government is keen to strike a balance as between the interests of the cotton mills, the cotton grower and the cotton trade, which is, of course, unexceptionable, but the government would also be well advised to bear in mind that the hen that lays the golden eggs in this instance is the cotton textile industry. And doing so need not necessarily amount to looking into the interests of the textile mills alone. Rather it is like taking good care to strengthen the shaky foundation of a building that is housing a number of useful institutions. Without a flourishing cotton mill industry, there is hardly anything to do either for the cotton grower or the cotton trade. Above all, there is the large body of workers for whom the industry provides gainful employment.

It is against this background that some of the points made out in the recent millowners' memorandum to the government acquire significance. Obviously the millowners do not share the optimism of the union Finance Minister that, with a good harvest, the economy would recover and so also the fortunes of the cotton mill industry in the wake of the resultant rise in consumption of mill cloth. With the help of facts and figures, the millowners have shown that, due to excessive expenditure on food items caused by an abnormal rise in their prices, the consumer is not able to employ the same outlay on cotton cloth as before and there has, therefore, been a continuous fall in the offtake of cotton cloth. Thus, between 1961-62 and 1967-68 (average for nine months), the wholesale index of food articles' prices (Base: 1952-53=100) has risen from 120 to 245, *i.e.*, by 125 points; over the same period, the index for cotton prices rose from 113 to 156, *i.e.*, by 43 points, while prices of cloth moved up from 131 to 154 or by 23 points only. The dearness allowance to mill workers which was only Rs 93 in 1961-62 jumped to over Rs 170 in 1967-68. Whereas per capita availability of all cloth (*i.e.*, mills', decentralised sector's and synthetic fabrics') fluctuated between 15.08 metres (in 1967-68) and 16.25 metres (in 1964-65), there was a steady decline only under mill cloth after 1964-65.

The same trend, perhaps in a more pronounced way, characterised per capita consumption of mill cloth. On the one hand, then, the total cost of production of cotton cloth (on account of the rise in cotton prices and the increase in dearness allowances alone) went up by 40 per cent, on the other the rise in cotton cloth prices was of the order of only 17.5 per cent. Despite the industry absorbing as much as 22.5 per cent of the rise in production costs thus, the per capita offtake of mill cloth did not improve, but came down from 9.28 metres to 7.17 metres, the gainer being the pampered decentralised sector, on the one hand, and the synthetic fabrics, thanks to the change in the consumer taste, on the other. The millowners have good reason, therefore, to complain that mill-made cotton textiles have been suffering from an acute demand deflation because of the continuous cost-push inflation.

It might be all right for the authors of the "Economic Survey 1967-68" to expect higher revenues from excise duty on the basis of the anticipated growth rate of industry due to the prevalence of favourable conditions in the agricultural sector. But is this facile expectation borne out by past experience? In so far as the cotton mill industry is concerned, it does not appear to be the case. Take, for example, 1964-65 when the country had a prosperous agricultural year (what with an output of 84.26 million tonnes of foodgrains). Although the per capita availability of mill cloth increased, *albeit* marginally from 8.48 metres to 8.73 metres, the actual per capita offtake of mill cloth declined by 0.54 metres from 8.87 metres to 8.33 metres. In other words, a good harvest in 1964-65 did not have a favourable impact on the offtake of mill cloth. This was because, in that year, the All-India Consumer Price Index (Base: 1949=100) increased to 162 (from 138 in 1963-64). The 1967-68 harvest has been quite impressive and foodgrain prices have also come down by and large, but in the context of the larger population and the sizable deficit financing, millowners rightly feel it is highly unlikely that the downward trend in food prices would continue to such an extent as to permit the stabilisation of food prices at a sufficiently low level to produce a perceptible impact on the offtake of industrial products generally and of cotton mill goods in particular.

This is not to suggest that everything is lost and we must give up all hope of any increase in mill cloth consumption. There is still a good chance provided something could be done to bring about a sizable reduction in retail prices. Now, as things stand, there are no prospects of costs of production of cotton mill cloth and yarn going down, thanks to the built-in rigidity of the cost structure of the cotton mill industry. The only way left then is to scale down the excise duty on mill cloth and yarn. This was the understandable and legitimate expectation of the industry when the latest budget proposals were about to be placed before Parliament. Instead of a reduction in excise duty, however, there was a so-called readjustment which created the impression that the government had incurred a net sacrifice in revenue of Rs 10 lakhs—by a decrease of Rs 3.58 crores due to a reduction in the effective rates of excise duty on sized yarn and an increase of Rs 2.48 crores due to a rise in processing surcharges on superfine and fine fabrics and other revisions. How misleading this impression is will be evident from the detailed figures of revenue from cloth and yarn contained in the explanatory memorandum for the 1968-69 budget proposals. According to this document, the revenue from cloth and yarn in 1968-69 is expected to be Rs 117.18 crores as against Rs 108.74 crores in the revised estimates for 1967-68, or an increase, in fact, of Rs 8.44 crores!

Let us see what this means in terms of additional deliveries by the cotton mills. If, on total deliveries for civilian consumption of 3.245 million metres of cotton fabrics in 1967-68, the government realised an excise revenue of Rs 46.57 crores, there should be an addition of at least 200 million metres to these deliveries in the current year (1968-69). Notwithstanding the exceptionally good agricultural year that we have had, the millowners are highly sceptical whether the demand for cloth would broaden to such an extent as to permit of this addition to total deliveries. At best, this is a gamble. Why should the authorities indulge in such speculation when other avenues holding out relatively more reassuring results are open? The government is not likely to agree with the view of the millowners that the 20 per cent reduction in the rates of excise duty on cotton cloth and yarn which the latter have been urging would eventually not cause serious injury to central revenues. The union Finance Minister is of course the best judge to decide the extent of the cut, but in determining this he should take a good look at the way in which the governments in the EEC countries and Japan have come to the help of cotton mill industries. If India's place as an exporter of cotton goods is to be maintained, let alone improved, though that is very much to be desired, what these countries have done represents the barest minimum

Port in Peril

THE PROBLEMS of modernisation of ports rightly received considerable attention in the deliberations of UNCTAD-II. The suggestions made there included the creation of a special fund to expedite modernisation, long-term loans at a nominal rate of interest and provision of dredgers by the developed nations on deferred payments. It is not known when and to what extent these proposals will be carried out. Meanwhile, this country should energetically implement the development schemes of the major ports. In particular, the difficulties of Calcutta port deserve immediate attention. This port accounts for about 43 per cent of the country's export trade and 30 per cent of its imports. It serves not only West Bengal but almost the entire eastern region. But neither the centre nor the Government of West Bengal has given proper attention to its development. A few years ago, the Estimates Committee of Parliament made some specific suggestions for improving the efficiency of Calcutta port but action on many of them is still pending.

The financial position of Calcutta port is steadily deteriorating. The Government of India has set up a one-man committee (Chairman Mr P. C. Bhattacharyya, former Governor of the Reserve Bank of India) to examine the finances of Calcutta port. The terms of reference of this committee include the examination of the financial position of Calcutta port so as to make recommendations for augmenting earnings and effecting economies in expenditure. It has also been asked to report whether it would be feasible for the Port Commissioners to so manage their finances that their anticipated income and expenditure are in balance over the next few years, taken as a whole. The committee will examine, in the light of its findings, what minimum assistance, if any, would have to be rendered by the central government and, if so, in what form. The committee has been asked to suggest possible alternatives such as reimbursing in whole or in part the expenses incurred by the commissioners in maintaining and dredging the Hooghly river or assuming financial responsibility, in whole or in part, for the capital expenditure connected with dredging. The committee has also been requested to take into account the effects that the Farakka Barrage would have, when completed, on the finances of the Calcutta port.

It is difficult to understand why the Government of India has entrusted this vital work to a committee of just one person. Mr Bhattacharyya, of course, has considerable experience in financial matters but the problems of a major port such as Calcutta are too vast and complicated to be tackled properly by a single person, however competent. The government should have taken on this committee a few representatives of the leading organisations of industry and trade in the eastern region. After all, it is they and their constituents who have been using the port and they are, surely, in a better position to speak authoritatively about the various aspects of port finance.

The chairman of the Calcutta Port Commission has expressed concern at the deterioration of the port's finances. This is understandable in the light of the following trends:

REVENUE INCOME AND EXPENDITURE OF THE CALCUTTA PORT

(Rs crores)

Year	Revenue income	Revenue expenditure	Surplus or deficit
1957-58	12.76	11.20	+1.56
1958-59	12.96	12.48	+0.48
1959-60	12.97	12.71	+0.26
1960-61	14.12	13.62	+0.50
1961-62	15.06	14.23	+0.83
1962-63	16.96	16.45	+0.51
1963-64	17.71	17.19	+0.52
1964-65	18.39	18.34	+0.05
1965-66	18.55	20.30	—1.75
1966-67	19.98	20.77	—0.79

The year 1967-68 is expected to reveal a deficit of Rs 1.5 crores because the port's traffic has not increased according to expectations. The traffic estimated in 1967-68 was not more than 9.5 million tonnes while the budget estimates for the year were made on the assumption that it would be about 11.5 million tonnes. The chairman therefore has remarked that unless port charges are increased immediately "we may have serious difficulty in meeting our cash requirements". In other words, the port authorities cannot afford to wait till Mr Bhattacharyya submits his report.

It should be remembered that the charges in Calcutta port have been increased on six occasions in the last nine years with the result that they have become too high in comparison with other ports in India; it is not surprising therefore that adequate traffic is not flowing to this port. The average charge per ton in 1965-66 was Rs 11.37 compared to Rs 7.35 in 1955-56, and the tonnage handled at this port in 1965-66 was 9.6 million against 11.1 million in 1964-65, 10.9 million in 1963-64 and 8.0 million in 1955-56. If the charges are further increased, as now proposed, it will not only impose additional burden on trade and industry but will also lead to further diversion of traffic.

It is a pity that the Government of India is not handling the problems of Calcutta port with a sense of seriousness. This will also be evident from the fact that it has asked the Bhattacharyya committee for its view on the desirability of the centre assuming the responsibility for the maintenance of the river Hooghly. This problem was carefully examined by the Estimates Committee of the Lok Sabha which recommended strongly that the centre should bear the costs. Trade and industrial organisations in West Bengal have also been unanimously demanding for several years that the users of the port should not be called upon to meet the expenses of dredging the river. They had argued that in foreign countries it is the national government that is responsible for the maintenance of rivers. After all, Calcutta port serves not merely those who actually use it but the entire nation. In any case, the time has come for the centre to devote special attention to the problems of Calcutta port. It is futile to expect exports to expand merely by enhancing the cash assistance or by other monetary incentives. If the ports are not able to play their part properly, our efforts in promoting exports are unlikely to show encouraging results.

Power in Plenty in South

WITH THE commissioning of the third and fourth generators of the Sharavathi project and the prospect of the remaining six units being completed in the next four years, the compulsion has arisen to use fruitfully the massive blocks of power especially as there will also be creation of new hydel and thermal capacity in Madras state and Andhra Pradesh in the next two years. American assistance for the Sharavathi project has been very helpful and Mysore state has been able to make the proud claim that it has constructed the biggest hydel project in Asia. But even though Mysore's per capita consumption is very much lower than that of Madras state and as Mr Nijalingappa, the state's Chief Minister, has observed, there can be no surfeit of power over a period since the surplus will be only temporary, no serious thought has been given to the question of utilisation or the development of effective inter-state grids. As a consequence, even though the generating capacity of the Mysore State Electricity Board is not more than 500 mW against the aggregate capacity of nearly 1500 mW in Madras state, the giant generators of Sharavathi have been finding it difficult to remain in operation continuously because of the lack of demand. A more difficult situation would have arisen but for the purchase by Madras of about two million units daily.

The current year will probably mark the turning point from a period of shortages to one of relative plenty as many new schemes will be completed. The Ennore thermal station in Madras state would be taking shape, while there will be additions to the capacity of the Kothagudem thermal station in Andhra Pradesh. The Neyveli thermal station too will be putting into operation its second 100 mW unit towards the end of 1968. As it is expected that the remaining units at Sharavathi can be commissioned at intervals of four to six months, there is the prospect of over 800 mW of capacity being available for use in the next one year. The question is: how is this large capacity proposed to be used? Even in Madras state where there has been massive rural electrification there has not been any significant increase in the consumption of power in the past one year because of a slowing down in the pace of industrial development due to the recession. But the daily consumption is around 15 million units while the combined consumption of Andhra Pradesh, Kerala and Mysore will not be equal to this figure. Since Madras state will be having additional capacity and there is already a problem of utilisation in Neyveli, an embarrassing surplus will arise after July this year, when all the hydel reservoirs will be full and it will not be necessary for any state in the southern region to purchase power from its neighbour.

Even now, Madras state is vigorously implementing a programme of rural electrification and with the energisation of a large number of tube wells and wells and the coming into being of the huge petrochemical complex in the Manali area, new capacity in this region can be utilised without much difficulty. But a similar programme has not been undertaken in Andhra Pradesh and Mysore state and there may be long periods when it is not possible to maintain in operation new generating sets. The absence of proper planning in regard to the creation of distribution facilities has been forcefully brought out by the fact that the third and fourth sets at Sharavathi have been commissioned only three years after the first two sets went on stream in January 1965. In Kerala, as there was a serious shortage of power, the Sabarigiri project having a capacity of 300 mW was able to make better use of its generating facilities, though even in this state there is a problem of under-utilisation.

The emergence of surpluses should not, however, lead to slower implementation of new schemes or postponement of work on projects which are ready for execution. Many schemes like the Kalinadhi and Hognekal projects take a long time to be completed and it will so happen that due to miscalculations there will be periods of abundance followed by periods of acute shortages. The present situation affords an opportunity for a better co-ordination of the plans of the four states. Indeed, the stage has been reached where it has become necessary to undertake work on hydel projects on a co-ordinated basis and construct transmission facilities also in a defined manner. A regional authority should be created which will bring about the desired co-ordination of the activities of the four electricity boards. The regional council is no doubt doing useful work. But there has been no disposition to view problems in a broader way.

Since there is no difficulty in securing materials for the construction of transmission lines and the required quantities of pumpsets, electrical motors and other equipment can be had from within the country, the central government should accord the highest priority for implementing rural electrification schemes in the southern region. The former government in Madras state was wise enough to invest large sums in the creation of hydel capacity and on the construction of a vast network of transmission lines. In the past decade there has been as a result phenomenal growth in consumption and, until recently, it was thought that it would not be possible for the state electricity board to meet fully the growing demand. If it is borne in mind that even after all the ten units under the Sharavathi project had been commissioned and the schemes of the Andhra Pradesh and Kerala governments for the fourth Plan now postponed had been implemented, the level of generating capacity would be much lower than in Madras state. There is no reason why plans cannot be formulated for boosting consumption of electricity in Andhra Pradesh, Mysore and Kerala. The investment of about Rs 500 crores is necessary for pushing through the programme of rural electrification. If this amount could be found, stability would be imparted to the agricultural economy besides leading to the effective use of generating capacity.

Development Through Annual Planning

Y. P. PANT

DEVELOPING COUNTRIES, which have resorted to development on a planned basis, have tried to evolve a clear-cut strategy of some sort or the other, which would indicate the most suitable pattern for the development of the economy and specify the means needed to ensure the projected type of development. In this respect, planning in relevance to its economy can take many forms and can be comprehensive or indicative in nature. In general, however, medium or long-term plans are one way of defining the viability of development strategy. Without defining an explicit strategy, planning loses its substantive forms and the whole emphasis shifts to the methodological aspects to the detriment of actual implementation, as has happened with a number of developing countries. In this respect, even if a long time-horizon is absolutely necessary in the proper consistency of planned activities, there is real need to move gradually towards more comprehensive annual plans. This becomes all the more important in a country such as Nepal where even the system of annual budgeting has been started just a few years back.

A long-term perspective plan (15 or 20 years) should, no doubt, set out the broad strategy of development and basic objectives. Within this long vision, a medium-term plan of say three or five years should have more specific goals. An annual plan, to be incorporated financially in the budget, should be of a detailed, operational nature incorporating specific decisions on programmes to be implemented. In this type of ideal planning model the long-term perspective is essentially qualitative and visionary. Within this overall perspective, on the practical side, a medium-term plan should be developed, as is being done in one way or the other in most of the countries' plans.

Useful Instrument

Whatever the kind of planning adopted by each country, the annual plan of total investment with coherent projects is a useful and necessary instrument to close the gap between the longer and medium-term perspectives on the one hand and the actual detailed decisions, projects and policies adopted on the other. Any long-range plan needs to be judged not only by the contribution it is designed to make to the growth potential of the economy in the long run but from the practical angle in terms of the adequacy of the solutions it offers to the more immediate problems. In this respect also the annual investment plan is relevant to any developing country. Even if the budget is an important instrument for implementing the plan from year to year, no action-planning programme on a systematic basis has been attempted so far in most Asian countries. Obviously, co-ordination effected through the purely budgetary approach is neither adequate nor reasonably effective in furthering development. This has been testified to by the recent experiences of a number of countries which, even after having attained the financial targets, have been unable to identify clearly the extent of the physical progress which may have been secured. In some countries such as Afghanistan and Nepal, which do not have even minimum statistical data and thus in cases where it is not possible to get "either a perspective approach for the entire economy or have a detailed medium-term plan, the answer may be just in getting some clear perspectives in the key sectors of the economy and relating these to an annual operational plan".

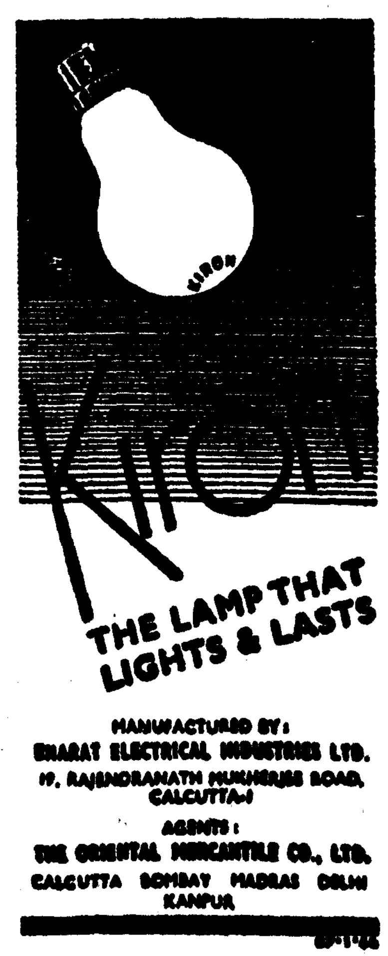
Such an annual plan for investment should comprise a number of elements and should be completely different from the annual budget, which comprises revenue part of the budget and the capital part of the budget. For example, in Nepal there is no capital part of the budget and the annual investment plan is reflected in the development part of the budget. This is completely tied up with the project and under the conditions it is quite impossible to dissociate real investment from other expenses such as salaries, transport costs and so on. Therefore, the annual plan which is envisaged here is something different. It should be construed, in any case, that planning almost becomes a theoretical exercise with little relation to implementation value in case proper regard is not paid to the realities of annual budgeting. Some of its important elements should involve, firstly, a comprehensive view of the existing trends in the economy with some references to the past performance, secondly setting the short-term objectives and developing a strategy of the annual plan in overall terms, thirdly, assessing financial and other resources, relating projects and targets of production both in the public and private sectors and finally establishing a consistent supporting policy framework.

In fact, the function of annual operational planning is to co-ordinate many of the elements such as budget, import policy, even monetary and other related aspects in a systematic manner and to supplement the existing activity wherever necessary. The conception of such as annual plan is much broader in scope than a conventional administrative budget. It is at the same time, concerned in broad outline with objectives, priorities for the use of resources and expected outputs from proposed inputs of physical, human and financial resources. While an annual investment plan tries to allocate financial and other resources among projects and programmes, an annual budget is much more concerned with receipts from various taxes and other sources, availability and commitment

of funds, cost estimates for projects and programmes and financial control.

Of course, the inclusion of the private sector, even by way of inducement, happens to be quite difficult. This is based on the experiences of a number of countries. Hence, as far as possible, to start with, within the private sector itself a great deal of planning is necessary. The plans of the private sector will need to be divulged to the government early enough to be taken into consideration. In this over-all context, it was in the fitness of things that in the third session of the Planners' Conference held in Bangkok in November 1967 the ECAFE was asked to make a study of the existing position of annual planning in the region with a view to identifying the experience gained and the problems faced in order to suggest the proper scope of annual plans in various ECAFE countries. It was agreed that a comprehensive annual plan exercise should contain mainly, such elements as evaluation of the past performance of the economy and outline of the strategy for the following year's development, indication of the principal objectives of the annual plan in relation to the medium-plan objectives, determination of the physical targets to be achieved in major sectors and fields, assessment of financial resources, determination of the investment programmes in the public and private sectors and framework of economic policies for realizing various objectives and physical and financial targets.

Obviously, the presentation of the annual investment plan does not, by itself, contribute toward the solution or correction of the shortcomings experienced in the process of economic growth as experienced by a number of developing countries. This might, in a very specific way, prove to be a technique in consonance with the realities concerned with planned economic development. Other related matters will have to be equally attended to and properly implemented to make the development plan an effective instrument of planned action.



STC Supplants Private Sector

A Correspondent

WHETHER ONE likes it or not, state trading has come to stay. The general objection, as also that of the business community in particular, is, or has been, not to state trading as it was conceived when it was ushered in May 1956 —to trade with countries which transact all their foreign trade through big trading corporations owned by the state, i.e., socialist countries—but to state trading as it has turned out to be today. The vehicles of state trading—the State Trading Corporation (STC) and the Minerals and Metals Trading Corporation (MMTC), the independent offshoot of the former since October 1963—have not only extended their activities to non-socialist countries, but have also made heavy inroads into normal trade channels. There is no country with which these corporations will not trade, nor is there a commodity or service which they seem to fight shy of handling. Not content with it, the STC has since entered the manufacturing field as well, as, for instance, the wig factory at Madras. No wonder the business community which has begun to feel the pinch has started reminding the authorities that all this is contrary to the assurances given by the government that state trading was not being ushered in to supplant but only to supplement the activities of the established trade channels—an assurance that is, ironically enough, being held out even today.

If Mr B. L. Sahney, General Manager of the STC, reiterated such an assurance at the symposium on the working of the STC arranged recently by the Indian Merchants' Chamber in Bombay, Mr B. P. Patel, chairman of the STC held out a similar assurance to the seminar on export promotion sponsored by the Hindusthan Chamber of Commerce, Madras, in January last. Indeed, Mr Patel seems to feel the role of the STC is still evolving and has to expand very much further. Earlier still—December 1967—Mr K. B. Lall, the Commerce Secretary, also had expressed a similar view at the time of signing the Indo-Soviet trade agreement for 1968. He said: "We also look forward to a much more effective role being played by the State Trading Corporation of India. This corporation plays a good role in the importation of goods from the Soviet Union, but it has not fully discovered its vocation to organise production and marketing from the private sector in India and the public sector in India with a view to organising ourselves to meet the requirements, quality, specification and delivery requirements of your market." It is thus obvious that the STC and the MMTC have not only come to stay but bid fair to grow; in the words of Mr Patel, "by the very nature of its trading operations, the business of the corporation is not limited to specified commodities. It has been operating on a broad canvas covering numerous commodities and a number of countries." Already it trades in 108 commodities and with 60 countries.

Hitherto, the STC was entering new fields without offering explanations or finding justifications. Now, however, it seems *to be finding these.* In the course of his speech at the last annual meeting, for example, the STC chairman referred to "certain maladies which give opportunities for misuse and hiding away of foreign exchange, which, in turn, give rise to many other problems and evils" for justifying the induction of a government-sponsored agency. It is not clear whether this is the first shot to test the field as a preliminary to social control of foreign trade, but it is a significant pointer to what the powers-that-be may be aiming at, namely making the trading and business community a second grade partner in the country's foreign trade. Frankly speaking, no other meaning could be read into this observation of Mr Patel: "The association of the corporation with the private trade in the matter of procurement of bulk materials and other essential import items can, without affecting the genuine requirements of trade and industry, ensure better returns for a given amount of foreign exchange."

Points of Criticism

Considering that it is not the government and the STC spokesmen only that claim the rôle and performance of the STC to be satisfactory, but there are also others who even justify the STC participating in trade with non-communist countries—'The Weekly Review' of the Bank of Baroda, for instance, deems it "an act of public spirit, even of public chivalry," to go on record in defence of the STC!—it seems necessary to have a thorough review of the working of the STC and the MMTC to establish whether its claims could be substantiated. For, as against the STC's version, the business community has another version which, if true, bodes no good to the country, let alone to the two contending parties. Surely, the country's interests are above everybody else's. Here, for instance, are as many as nine principal points of criticism on the working of the STC and the MMTC listed by no less responsible a person than the President of the Indian Merchants' Chamber, Dr R. C. Cooper, whilst welcoming the participants to the Bombay symposium:

1) Contrary to government's assurances, they (the STC and the MMTC) have supplanted the normal trade channels.

2) They have frittered away the country's valuable foreign exchange by importing goods at higher prices and by

importing wrong goods and those not required in the country.

3) They have exported goods at lower prices, thereby incurring loss of foreign exchange.

4) They have spoilt the export markets by undercutting the private exporters.

5) They have indulged in profiteering in respect of imported goods.

6) They have charged fat commissions from the private traders.

7) They have brought compulsions and pressures on private traders in regard to their export and import business.

8) They have missed golden opportunities for export business.

9) Their import activities have adversely affected the indigenous productive activity.

Both the background note prepared by the IMC secretariat based largely on information made available to the chamber by its members and what a few participants in the symposium —some staunch supporters too of the STC—had to say on the subject amply corroborate these criticisms. Even Mr Sahney, who was present throughout and explained the STC point of view, was modest enough to accept that the STC, depending as it must on human beings, could not be infallible, although he sought to justify the mercury deal and had a few success stories of the STC to cite. But there is a disposition in certain quarters that "individual business transactions of the STC need to be treated scrupulously as of confidential character and should not be subjected to public disclosure and discussion save in exceptional circumstances." This is not a healthy sign. As Mr R. G. Saraiya pointed out, the success of the STC lies in the widest publicity to all its deals. The tendency to be secretive on the part of the STC is being carried so far that, although it is supposed to have a number of advisory committees, few, if any, know about them. Similarly, the claim that the STC has on its staff all the technical and commercial know-how and expertise not only to handle 108 commodities with 60 countries but even to take up new and varied tasks of foreign trade as may be assigned to it by the government or decided upon by the STC itself is too tall to be gulped down without demur. Everybody would be happy if this were the case, but the fact that even sober and mature businessmen such as Mr Saraiya feel there is still need for the STC to seek advice makes one doubt it. Mr Saraiya, who has been connected ever since its inception with one of the oldest export advisory councils in the country—the TEXPROCIL—ought to know and must have meant what he said. Instead of posing as Caesar's wife, the STC ought itself to submit its working to a thorough examination. In any case, as was made out at the symposium, some guidelines must be laid down by the government in regard to any further expansion of the STC's activities.

A Good Suggestion

There was a suggestion, for instance, that where an export advisory council is already functioning for a given commodity, the STC ought not to be allowed to enter that field. Similarly, it would be a healthy precedent to make all further entry into any new field by the STC subject to a high-level decision, say, by the Board of Trade, or by a selected team of men of mature experience in the field. There is also need for the STC to accelerate taking decisions, so that the exporter or the importer may not have to find himself, as he often does now, in the company of those who bolt the stable door after the horse has been stolen. Another imperative for the STC is to ensure that it does not swell its own margin of profit on the scarce raw materials it imports and be responsible, even unwittingly, for pushing up costs of production in the country. By such action, it will itself become responsible for pricing out Indian goods in the relentlessly competitive markets abroad. All this would be possible only if there is willing acceptance—not merely in words but in action—of an appropriate place both for the public and the private sectors, coupled with a harmonious blending of the efforts of both.

The new import policy announced by the Commerce Minister is export oriented.

FROM THE CAPITAL'S CUPBOARD

Toward Reduced Target in Cement?

ALTHOUGH THE decontrol of cement, effected two years ago, has started yielding results, the delay in the implementation of the programme of Hindustan Steel Ltd (HSL) to granulate slag to a total capacity of 300,000 tonnes at Rourkela and 350,000 tonnes at Durgapur may upset the expansion plans of the cement industry. The scheme of the HSL to put up a 0.8 million tonne capacity slag cement plant at Nandini may also not materialise by 1970-71 due to lack of financial resources.

On current indications, the cement manufacturing capacity is expected to be raised to about 20 million tonnes by the end of 1969. With the addition of one million tonnes during the last six months, it has already been expanded to 14.2 million tonnes. Capacity to the extent of nearly two million tonnes is expected to be created in the current calender year. In 1969, the addition—if, of course, the plans of the Cement Corporation of India (a public sector concern) to set up two projects at Mandhar and Sedum (Kurtunta) are implemented according to schedule—is likely to be of the order of four million tonnes.

This will fall short of the tentative target of 23 million tonnes suggested in the fourth Plan draft outline by about three million tonnes. Due to the slowing down of the development activity during the last two years, the union Ministry of Industrial Development, it is understood, is thinking of scaling down the 1970-71 target to 21 million tonnes. A final decision in this regard, however, will be taken later this year when the fourth Plan outlay and the sectoral allocations are finally fixed. But even if the target is fixed at 21 million tonnes, there will be shortfall of one million tonnes in the cement manufacturing capacity in 1970-71.

Unless energetic action is taken to put up slag granulation facilities at Rourkela and Durgapur, shortage of cement may persist even in 1970-71. Apart from expediting the implementation of these two schemes and also the Nandini project of HSL, some of the proposals of the Cement Corporation, which are said to be under the consideration of the government, need to be decided upon at an early date. These include the Neemuch (Madhya Pradesh), Jagdalpur (Madhya Pradesh), Tandur (Andhra Pradesh) and Bokajan (Assam) projects and the Mehrauli (Delhi) masonry cement scheme. Besides, Andhra Cements, KCP, Madras Cements, Bagalkot Cements and Dalmia Dadri which have not yet proposed any scheme for the utilization of the funds accruing to them under the provisions of the cement decontrol order, have to be urged to draw up their expansion programmes early.

KOYALI PETROCHEMICALS

Nine down-stream units have been licensed so far for the Koyali petrochemicals complex. They are:

	Name of the company to whom letters of intent have been issued	Products	Capacity (Tonnes)	Total investment (Rs crores)	Foreign exchange (Rs crores)
	(1)	(2)	(3)	(4)	(5)
1	Tata Industries	Acrylic fibre	7,800	20	2.50
2.	Gujarat State Fertilizers Co.	Caprolactum	15,000	12	6.20
3.	Ahmedabad Mfg. & Calico Ptg. Co.	Nylon tyre cord	2,000	8	3.70
4.	Ahmedabad Mfg. & Calico Ptg. Co.	Polyester fibre	4,500	8 to 10	5.00
5.	Bharat Commerce and Industries Ltd.	PVA fibre	10,000	20	5.70
6.	Gujarat Polyamides	Nylon filament yarn	1,800	6.6	1.37
7.	Suhrid Geigy Ltd, Baroda	Phthalic anhydride	6,000	2.5	0.20
8.	Adarsh Chemicals	Maleic anhydride	1,500	1.0	0.25
9.	Indo-Nippon	Plasticizers	5,000	2.5	0.14

The following units remain to be licensed. Proposals for all these, except for acrylonitrile, are said to have been received:

	Product	Capacity (Tonnes)	Investment (Rs crores)	Foreign exchange (Rs crores)
1.	High pressure polyethylene (I.D.+L.D.)	40,000	14	4.27
2.	Pressure Polyethylene (H.D.)	13,500	9 to 10	3.00
3.	Styrene and styrene copolymers	40,000	20	10
4.	Vinyl chloride, PVC & associated caustic soda	20,000 PVC chlorine	20	10
5.	Synthetic rubber	25,000 first phase 50,000 second phase	25	1.86
6.	Acrylonitrile	1,600	15	4.5
7	Polypropylene	15,000	10	5.5
			114	

The three central units of this petrochemicals complex—the Udex and the aromatics units and naphtha cracker—will be in the public sector. The Udex unit will have a capacity to produce 14,000 tonnes of toluene and 33,000 tonnes of benzene with an investment of Rs 2.5 crores, nearly all in foreign exchange. The naphtha cracker will turn out 100,000 tonnes of ethylene, 60,000 tonnes of propylene, 9,000 tonnes of butadiene and 12,000 tonnes of mixed butadiene with an investment of Rs 15 crores, of which the foreign exchange component will be eight crores of rupees. The capacity of the aromatics unit will be: O-xylene 21,000 tonnes; P-xylene 17,000 tonnes. Investment on it will be Rs 21 crores, with a foreign exchange component of Rs 4.5 crores. The Udex unit is expected to be commissioned in the third quarter of this year. Contracts for the aromatics unit are likely to be signed shortly. Negotiations for setting up the naphtha cracker are expected to be over this month.

SUGAR EXPORTS

Consequent upon the shortage of sugar this year, resulting from nearly 17 per cent fall in sugarcane acreage last year, the union Ministry of Food and Agriculture is understood to have decided that exports of sugar this year should not exceed 93,000 tonnes—nearly 67,000 tonnes to the United States and the rest to the United Kingdom. Exports to these two markets, where sugar is sold at a substantial premium over the international price, are being continued in the long range interest of exporting the commodity.

FROM THE PRESS GALLERY

No Change in Policy on Nuclear Treaty

Our Parliamentary Correspondent

NEW DELHI: Friday.

THE DEMANDS for grants of four ministries—the ministries of External Affairs, Commerce, Education and Defence—were passed by the Lok Sabha this week. Having adjourned last week after virtually forcing the government to concede a parliamentary inquiry into the working of the Council of Scientific and Industrial Research, the Rajya Sabha did not have any session this week. It will meet again later this month with the Congress strength much reduced as a result of the recent biennial election. The Congress, though it retains an absolute majority, has lost its two-thirds majority in this House as well.

The debate on the demands for grants of the Ministry of External Affairs was of quite a high order. The main issues that cropped up in this discussion were our relations with Pakistan and China; the recent peace moves of President Johnson in respect of the Vietnam war; the signing of the nuclear non-proliferation treaty; our membership of the Commonwealth and the proposed withdrawal by the United Kingdom from the international waters east of Suez.

The opinion on most of these issues was sharply divided. While the left communists urged that we should start a dialogue with China to settle the border dispute with it, most of the other participants in the debate felt otherwise. The Swatantra Party's spokesman, Mr M. R. Masani, for instance, expressed the view that as a result of the easing of the tension in Vietnam, following the improvement in the prospects of peace in this south-east Asian country, the Chinese communists might well turn a malignant eye on us and other non-communist nations in this part of the world. As regards Pakistan, a good deal of concern was expressed over the proposed supply of 100 Patton and M-47 tanks to that country by western sources. Several members, however, thought that we should continue efforts at improving our relations with Pakistan.

Welcome Gesture

President Johnson's gesture on Vietnam was generally welcomed by the House. Several members expressed the opinion that our stand on the Vietnam issue had been vindicated. The peace offer of President Johnson, however, provided enough ammunition for the communist members to deride the United States. Prof. Hiren Mukherjee, for instance, observed that "American imperialism" was no more than a paper tiger; it had a phantom image with the front of brass and legs of clay.

On the non-proliferation treaty, Mr M. L. Sondhi (Jana Sangh) thought that only a "balance of terror" would guarantee our safety; the least we could do was to prove our nuclear capability. An independent member, Mr G. G. Swell, however, expressed the view that we should sign the treaty in time and with grace. The DMK member, Mr V. Krishnamurthy, supported the government on its refusal to sign the treaty. Mr K. R. Ganesh (Cong.) did not want the country to be bound down to not manufacturing atomic weapons for all time.

In regard to Commonwealth links, Mr Krishnamurthy thought that there was no case for our continuing in the Commonwealth. Mr Sen, however, pointed out that the Commonwealth was now an organisation which had more non-whites than whites. Several members pleaded that we should enter into military alliances with the neighbouring south-east Asian countries to defend the waters of the Indian ocean following the withdrawal of Britain from the area in the next few years. Acharya Kripalani (Ind.) pointed out that if we were not interested in south-east Asia, it meant that we were not interested in our own defence. The oft-repeated pleas for the establishment of full diplomatic relations with East Germany and Israel and for the recognition of Formosa were also made during this debate.

Intervening in the debate, Mr Bhagat expressed the government's concern over the US attempts to re-arm Pakistan. The supply of Patton and M-47 tanks to Pakistan from western sources, Mr Bhagat thought, would upset the military balance in the Indian sub-continent and neutralise all our efforts to normalise relations with Pakistan. In regard to China, Mr Bhagat observed that our efforts had not borne fruits. The internal upheaval there had resulted in a certain stiffening of China's external policies. This, Mr Bhagat thought, was a matter of concern for us. Mr Bhagat rejected the suggestion for defence arrangements for south and south-east Asia and felt that committing our manpower in far off areas would weaken our own defences. He, however, welcomed the withdrawal of the UK from the area east of Suez, but did not subscribe to any power vacuum theory. He was confident that the countries of the areas, big or small, would jealously safeguard their independence. Speaking about our relations with Iran and Turkey, Mr Bhagat expressed the view that the recent contacts with these countries had been fruitful.

Discriminatory Treaty

In her reply to the debate, the Prime Minister, Mrs Indira Gandhi, reiterated the government's stand on the nuclear non-proliferation treaty. She observed that we would not sign it in its present form as it was discriminatory. She cautioned the House that this stand might lead to foreign aid being cut off, but asserted that the government would not be deterred by this. The House hailed this announcement of the Prime Minister. The Prime Minister, however, added that careful consideration would be given to the amendments to be tabled to the draft of the nuclear non-proliferation treaty when it came up before the UN General Assembly. As regards Vietnam, Mrs Gandhi welcomed the US President's announcement as a "courageous step" and expressed her happiness that it had evoked a positive response from Hanoi. As Chairman of the International Control Commission, India, she said, would be willing to shoulder whatever responsibility devolved on her. She explained that the Government of India always believed that the Geneva Agreement of 1954 provided a framework within which the Vietnam problem could be solved. In respect of our links with the Commonwealth, the Prime Minister expressed herself as not being insensitive to the feeling which had resulted in the demand that we should leave the Commonwealth. She, however, felt that the decision on the issue should be taken calmly and with the assistance of other parties. Speaking about Rhodesia, Mrs Gandhi observed that it was a "festering sore". She hoped the collective wisdom of the members of the Commonwealth would help in retaining its multi-racial character. Mrs Gandhi also touched on our relations with Pakistan and China. India, she said, was doing its best to improve relations with Pakistan, but there had been many difficulties in implementing the Tashkent Declaration. She regretted that China had not realised that internal affairs of another country should be left alone. Mrs Gandhi rejected the demands for a security arrangement for south and south-east Asia.

The working of the State Trading Corporation (STC) came in for severe criticism during the debate on the demands for

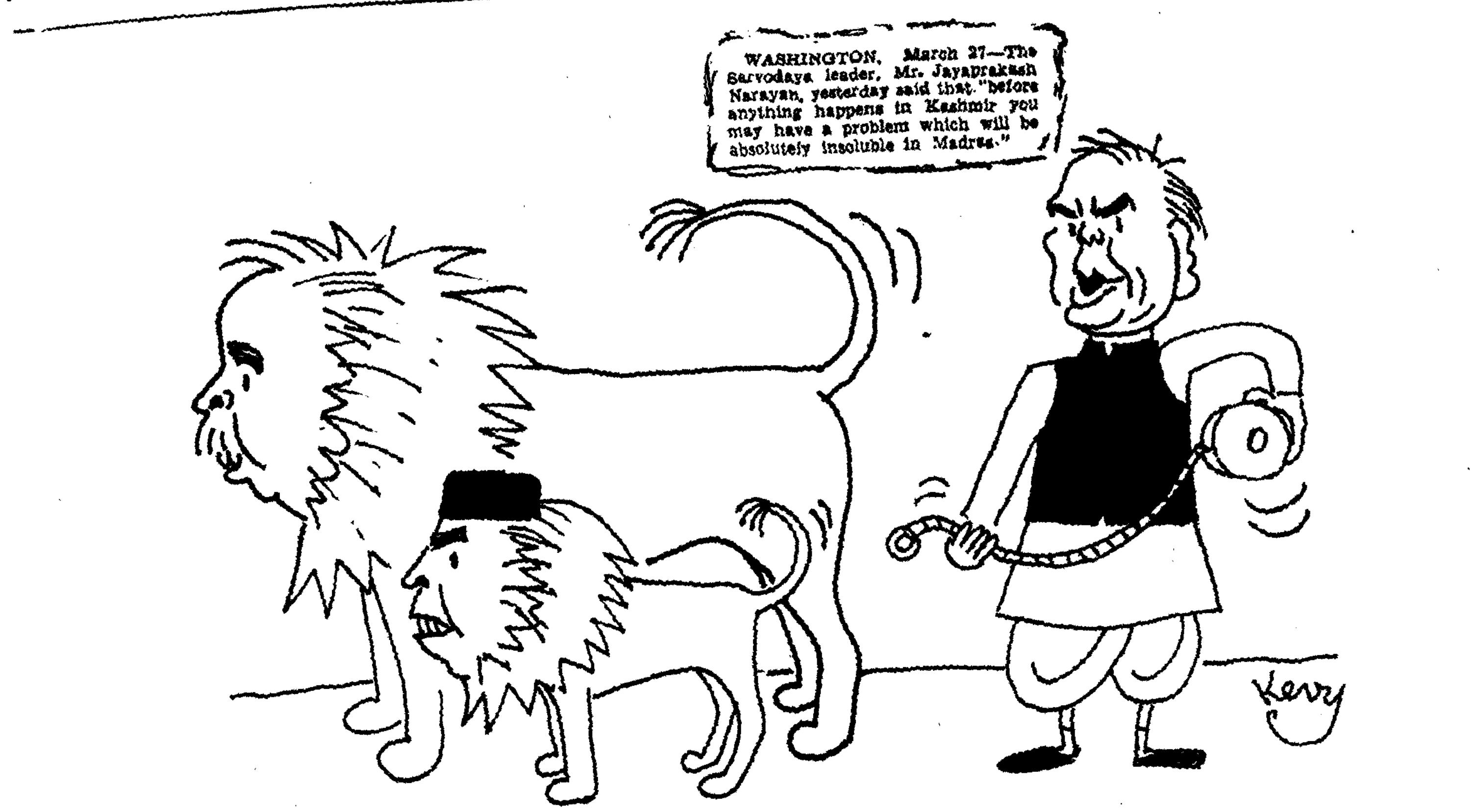
grants of the Ministry of Commerce. Apart from the last year's sulphur deal, the other point of attack was the import of nylon yarn by the STC, allegedly at prices ranging from 25 to 30 per cent higher than the world prices. A Congress member, Mr P. K. Ghosh, demanded the setting up of a committee, including members of Parliament, to review the working of the STC. Mr Manubhai Amersey (Swa) wanted that the STC's monopoly in exports of salt and human hair should be ended in the interest of stepping up exports of these two commodities. In regard to salt, he pointed out that we might lose one of our biggest buyers, Japan, if the STC continued to be the sole exporter. Referring to human hair, he cautioned that Indonesia was becoming a powerful competitor in this field. Mr Amersey also demanded that the monopoly enjoyed by the Metals and Minerals Trading Corporation in the export of manganese ore and ferro-manganese should be ended as the Corporation lacked adequate knowledge of the export trade in this field which the private trade had.

Nationalisation of Foreign Trade

The members with leftist leanings continued to press for the nationalisation of foreign trade. Several members desired a better deal for the Khadi industry. Mr R. K. Birla (Ind.) suggested that all advisory committees and councils of the Commerce Ministry should be dissolved. The imposition of export duties was criticised vehemently on the ground that they stood in the way of stepping up exports of several commodities. The performance of the Kandla free trade zone also came in for criticism. It was suggested that a new orientation should be given to the establishment of industries in this zone as the industries already established had not shown much enthusiasm. Mr N. K. Salve (Cong.) observed that we were being elbowed out gradually from the international markets in such items as tea, jute goods, hides and skins, oilseeds and textiles. He wanted the government to pursue a bold policy to halt this dangerous trend. Mr S. N. Dwivedi (PSP) wanted the STC to take over the purchase of raw jute within the country. He opposed imports of jute from Thailand. The cause of cotton growers was championed by Mr R. K. Amin (Swa.) who alleged that the government had no cotton policy. A good deal of disappointment was expressed at the outcome of the deliberations of UNCTAD-II. The Commerce Minister, Mr Dinesh Singh, of course, had his sympathizers who argued that he could not be blamed for the failure of UNCTAD-II.

Defending the Ministry's working Mr Dinesh Singh stressed that exports had started looking up. Between April and December 1967, the gain had been to the tune of $71 million, compared with the exports in the corresponding period in the previous year. Mr Dinesh Singh ruled out scrapping of export duties: this, he said, would only reduce foreign exchange earnings by lowering the unit value of export. Modifications in export duties, of course, he said, could not be ruled out and these were being effected as and when warranted. The Commerce Minister hinted that the proposed export policy resolution would be brought before the House when the consultations between the Commerce Ministry and the other economic ministries, which were currently going on, were completed. Mr Dinesh Singh was particularly harsh on the textile industry and took it to task for its failure to modernise mills by ploughing back profits. Promising to abide by the minimum cotton prices announced last year, he emphasised that the real solution lay in increasing yields and in the proper distribution of land under cotton and food crops. Mr Dinesh Singh informed the House that it had been decided to liberalise credit facilities to mills for buying cotton and asked the mills to withdraw their self-imposed restriction on stocking the commodity.

Addressing the Consultative Committee of Parliament later, the Commerce Minister revealed that the government was considering the appointment of a committee to review the working of the STC. He, however, made it clear that the STC could not be compared with other trading bodies in the country. The government had been progressively utilising the services of the STC as a regulatory mechanism in the sale



SHER-E-TAMILNAD

of commodities. It could not function on a no-profit-no-loss basis, he asserted.

The Minister's observations on the outcome of UNCTAD-II also came outside this debate—during the question hour. Mr Dinesh Singh opined that the outcome of such an organisation of the UN could not be judged from one conference. The main idea behind holding the second session of UNCTAD in Delhi was that it would give an opportunity to developed countries to know the progress being made by developing nations. The advantages that might ultimately flow from the conference would be shared by India, said Mr Dinesh Singh.

Earlier intervening in the debate, the Deputy Minister for Commerce, Mr M. S. Qureshi, praised the STC for augmenting the country's exports. It was due to the efforts of the STC, he stressed, that large orders for the export of wagons and rolling stock had been procured for the country in the face of severe international competition. Mr Qureshi also pointed out that the STC had found a market for our fruit juices in east European countries as well as for human hair in the United States.

Deteriorating Standards

Widespread concern was expressed during the debate on the demands for grants of the Ministry of Education over the deteriorating educational standards, the growing indiscipline among students, the low emoluments of teachers, especially primary school teachers. Pleas were made for the expeditious implementation of the recommendations of the Education Commission's report and the constitutional provision requiring primary education to be made free throughout the country. The Swatantra Party's spokesman, Mr R. K. Amin, expressed the view that the "mediocre" calibre of vice-chancellors of universities led to the recruitment of "mediocre" teachers. Mr Balraj Madhok (Jana Sangh) thought that the educational system lacked moral and national content. Acharya Kripalani (Ind.) found no direction in the educational policy. That was why the system, he felt, was producing clerks and not self-reliant men. Mrs Tara Sapre (Cong.) called for a change in the examination system so as to give importance to talent and aptitude. Several members stressed that primary education should be made a concurrent subject as the states had failed to do the job. For raising the standard of secondary education, it was suggested that a body like the University Grants Commission should be set up to allocate funds to secondary schools. The proposal for the establishment of an Indo-US education foundation was criticised by a left communist member, Mr E. K. Nayanhar. Mr Nayanhar also criticised the Council of Scientific and Industrial Research for having helped high officials to "swell their bank balances". The working of the CSIR otherwise also came in for a sharp attack from several members. The lack of concentration by the Education Ministry on the basic job of imparting education was deplored.

Winding up the debate, the Education Minister, Dr Triguna Sen, shared the concern of the members over the growing indiscipline among students and the deteriorating educational standards. Educational standards in the north and north-east, he felt, had deteriorated very much. Dr Sen also pleaded guilty to the charges that primary education had not been made free in Assam, Bihar, Uttar Pradesh and West Bengal and that the Education Commission's report had not been fully implemented. He attributed these failures to paucity of funds. The latter failure was also attributed to official procedures and the fluid political situation in various states. Some states, Dr Sen however was happy to note, had started implementing the recommendations of the Education Commission. This report, he announced, would be made the basis of the fourth Plan education programmes to be started next year. Dr Sen indicated that he would like to concentrate on four main programmes of education: (i) development of a plan of national service, games and sports as an alternative to the National Cadet Corps; (ii) organisation of a large book development programme; (iii) development of scientific education; and (iv) improvement of higher education. He called for priority for the improvement of emoluments of the primary school teachers and expressed the hope that primary education would be made free in the near future in all states.

Apart from stressing the need for strengthening the defence forces of the country, particularly the air force and the navy, the participants in the debate on the demands for grants of the Ministry of Defence largely remained content with pleading for better amenities for the fighting forces, better deal for the demobilised emergency commissioned officers, the need of keeping a continuous vigil on the borders and for effecting judicious economies in defence expenditure. The Minister for Defence Production, Mr L. N. Mishra, dwelt at length on the steps that were being taken to modernise and re-equip the defence forces, the new weapons which were made available to the services and the progress registered in the manufacture of the new armaments within the country. Mr Mishra took considerable pride in the delivery of locally assembled MiGs to the armed forces and of AVROs to the Indian Airlines Corporation ahead of schedule. Talking of the giant strides in the realm of shipbuilding and electronics, he revealed that the establishment of a new factory to produce radar and microwave equipment under the auspices of the Atomic Energy Department was on the cards. The Hindusthan Aeronautics' electronics factory at Hyderabad, he said, had already taken up the manufacture of air-borne electronic equipment. The ordnance factories, most of which had been modernised after the Chinese invasion in 1962, Mr Mishra indicated, would turn out a record production of about Rs 112 crores this year. Mr Mishra expressed disappointment over the performance of the Bangalore division of Hindusthan Aeronautics, where production (around Rs 18 crores) had not come up to expectations. But he pointed out in this regard that certain difficulties were inherent. Mr Mishra announced that one frigate would be delivered every year to the navy from the Mazagon dock from 1971 onwards. The outlay on research at Rs 14.12 crores, Mr Mishra felt, was still not sufficient as it constituted a bare one per cent of the total defence budget, as compared to between 12 and 15 per cent in Britain, the United States and the Soviet Union.

Improved Strength

Winding up this debate, the Defence Minister, Mr Swaran Singh, dwelt at length on the defence preparedness of the country. The strength of the army, he revealed, now stood at 825,000 men. "The teeth to tail ratio" had improved from 57 : 43 to 62 : 38. The army was in the process of acquiring sophisticated weapons. It had now anti-aircraft guns with radar control. He, however, admitted that the manufacture of chains for the Vijayanta tanks was proving a difficult proposition. As regards the navy, Mr Swaran Singh stated that submarines had become an integral part of our naval fleet; this and the acquisition and building of frigates, etc., was part of its modernisation programme. Mr Swaran Singh disclosed further that it was intended to set up naval bases at Goa and Visakhapatnam. Facilities he said, were being arranged at Port Blair to protect the Nicobar and Andaman islands. As regards air force, Mr Swaran Singh said that efforts were being made to build up 45 squadrons; most of these would be equipped with modern aircraft such as MiGs, Gnats and HF-24. The older and obsolete aircraft such as Vampires and Toofanis, he added, were being gradually replaced; this also applied to the Liberators used for maritime reconnaissance. The collaboration arrangement with the UAR, under which it was proposed to have the UAR engines for the HF-24 airframe, Mr Swaran Singh said, had not made much progress. He, however, assured the House that the country was not depending on this; other arrangements had been made. The Defence Minister spoke at length also on the threat posed by China and Pakistan and felt confident that the country's state of preparedness was sufficient to cope with this dual threat.

In a statement laid on the table of the House, it was revealed that an expert committee, appointed by the National Co-operative Development Corporation (NCDC), had recommended setting up of 7,194 agricultural processing units on the basis of additional production likely to be achieved by 1970-71. It envisaged a block capital investment of Rs 205 crores for the purpose. The committee suggested that of this total amount, members of the proposed co-operative units and the state governments concerned should provide Rs 70 crores in the form of share capital and Rs 97 crores should be raised as block loans from various financing agencies. The remaining sum of Rs 38 crores should be made available mainly by the state governments and the state co-operative banks, wherever necessary. The centre had been asked to grant a long-term loan of Rs 35 crores to the NCDC for refinancing the enlarged processing programme. Commoditywise, the expansion of the processing facilities for various agricultural products had been suggested as follows: paddy—new rice mills 475, modernisation of existing rice mills 400, rice bran oil units 15; sugarcane—new factories 30, by-product units 18; cotton—ginning factories 150, pressing units 50, growers' spinning mills 26; oilseeds—oil mills 200, secondary processing units 40; fruits and vegetables—new processing units 40, cold storages 150.

A number of irregularities—large and small—committed by the central ministries and agencies again featured the annual report of the Comptroller and Auditor-General which was placed on the table of the Lok Sabha this week. The report talked of the loss to the government (Rs 93 crores) on account of state trading in foodgrains, the infructuous expenditure (about Rs 150,000) incurred by the Delhi University on its plan to have a department of western music, the unnecessary expenditure (Rs 850,000) incurred on laying a narrow gauge railway line to carry boulders to the Paradeep port from a nearby quarry instead of making use of hired trucks, and the failure of the Steel Ministry to charge 5.75 per cent interest per annum from the Indian Iron and Steel Company under the rephased programme of recovery of the loans due from this company (the charging of 4.75 per cent interest per annum, the report reveals, resulted in a subsidy to the company to the order of Rs 18.45 lakhs up to June 1967 without a vote of Parliament). The procurement of 96 air-compressors at a cost of Rs 50 lakhs by the Directorate-General of Border Roads from a firm which had not sold any such item before came in for a scathing criticism in the report. The Border Roads Organisation was also taken to task for the state of repairs of its machinery and vehicles. The Indian Statistical Institute, Calcutta, was once again criticised by the Comptroller and Auditor-General.

Paucity of Funds

The Minister of State for Food and Agriculture, Mr A. P. Shinde, told the Lok Sabha during the question hour on April 4 that only 20 per cent of the sub-soil water resources in Bihar were being used for irrigation purposes. In Uttar Pradesh, the utilisation was 30 per cent. The surveys conducted recently, Mr Shinde added, had shown that Uttar Pradesh had about 50 million acre feet of water under the soil and Bihar had 15 million acre feet of it. The Minister for Food and Agriculture, Mr Jagjivan Ram, added that paucity of funds for rural electrification was one of the main factors for the sub-soil water not being fully exploited for irrigation purposes. Under a new scheme, he revealed, commercial banks would purchase debentures of the state electricity boards to finance minor irrigation works. Mr Shinde also told the Lok Sabha on that day that arrangements had been made to import 2.948 million tonnes of foodgrains from four countries during 1968-69. Burma and the UAR would be supplying 134,000 tonnes of rice. Canada and the United States would be making available 2.482 million tonnes of wheat. The United States would also be supplying 332,000 tonnes of milo.

WINDOW ON THE WORLD

W. Germany, USA, UK: Instructive Comparisons

JOSSLEYN HENNESSY

I

STRIKING SIMILARITIES

LONDON:

NOBODY, SO far as I know, has pointed out the striking similarities in the economic histories of the USA, the UK and West Germany since around 1964, still less explained why—despite these similarities—West Germany remains the odd man out.

Let us briefly recall the facts in these three countries.

When Labour took office in the UK in 1964, the new government faced a balance of payments deficit of some £600 million. Persisting balance of payments deficits end in disaster (even according to Keynes). But instead of higher taxes and cuts in government expenditure to damp internal consumption and to divert goods to exports, the socialist government sought to continue, even to boost, internal expansion and social benefits. The economy drifted, with half-hearted applications of the economic brakes, whose potential effects were countered by contradictory political declarations, until the rising alarm of the UK's creditors for the safety of their ever mounting loans ended in the spectacular, unplanned, devaluation of November 18, 1967. This was eventually followed on March 19 by the right budget measures, but of a severity that could have been avoided by determined earlier action. Thus, from political cowardice, were four years lost. Roy Jenkins has courage. But it remains to be seen whether the masses will accept the cuts in their standards of living necessary if his budget is to set the UK on the path to prosperity.

Dollar Undermined

In the USA, the story is much the same. President Johnson has been trying to have both guns and butter, with the result that, abroad, his balance of payments deficits have undermined the status of the once Almighty Dollar, while at home he faces inflation and a wage-price spiral. That elections are due this year means that higher taxes and budget cuts keep being postponed, so that some spectacular crisis seems inevitable.

In West Germany the story opens in the same way. In the pre-election year of 1965, the Erhard government had whipped up budgetary largesee and reduced taxes, so that after the elections the government faced the biggest current West German balance of payments deficit ever recorded, together with the steepest consumer price rise since the post-Korean boom in 1950. Note the resemblance with the Labour government's opening situation.

The reactions of the UK and the West German governments, and therefore the subsequent economic histories of the two countries, could not, however, have differed more. The West German government, still under Erhard (Kiesinger did not become Chancellor until December 1966) tightened monetary and fiscal policies and slashed public expenditure, to such good effect that West Germany went into recession in 1967. Unemployment averaged 2.2 per cent. Industrial production fell from an average of 160 in 1966 to 157 in 1967. Wage rises slowed from 7 per cent in 1966 to 3.9 per cent in 1967.

At this point latter-day Keynesians will interrupt me triumphantly: "There you are! You are a reactionary! You want to stop growth, create unemployment, and lower the standard of living!"

But wait a minute.

Which of these three countries is better off today? The USA, struggling with a balance of payments deficit that threatens its currency, and with domestic inflation which contributes to political turmoil? The UK struggling under the restrictions of the most savage budget in its history? Or West Germany?

In 1967, the West German current balance of payments showed a surplus of DM 15,845,000 million. By December, the index of industrial production had risen to 170 compared with 156 in December, 1966. Prices, with a rise of 1.3 per cent, were more stable than in any other of the 18 comparable free economy countries. Seasonally adjusted GNP rose by three per cent in the third quarter of 1967. The economy is all set for gradually and steadily rising standards of living.

I emphasise the words "gradually and steadily". The trouble with our all-out expansionists is that they have no patience. They always want a headlong pace, which quickly runs into labour shortages and wage-price spirals both of which harm workers.

Avoiding Inflation

What has West Germany got that neither the USA nor the UK of the years 1964-68 have? One answer is a wholesome fear of inflation. This arouses scorn among many British commentators. Peter Jay, economic editor of the 'Times', London, for example, never loses a chance to comment ironically on West Germany's "inflation phobia", implying that the workers are compelled to carry the burden of excessively restrictionist policies. Do they? Which would Peter Jay rather be? A wage-earner in West Germany or in the UK? Look at the table taken from the latest issue of the economic review "German International" (89 Provinzialstr. 53 Bonn-Lengsdorf, W. Germany).

	Nominal hourly wage 1958-66 increase in per cent	Cost-of-living price index increase 1958-66 per cent	Hourly wage in terms of purchasing power increase 1958-66 in per cent
Federal Republic of Germany	109	22	71
France	53	36	13
Great Britain	68	26	33
Sweden	95	34	46
USA	32	12	18

The formation of the coalition in November, 1966, of the Christian Democratic Union (CDU) and the Social Democrats (SPD) with Kurt George Kiesinger (CDU) as Chancellor, Karl Schiller (SPD) as Economic Minister, and Franz Josef Strauss (CSU) as Finance Minister, has led to what at first sight seem contradictory economic policies. Schiller is an expansionist. Strauss believes in balancing the budget. To a considerable extent both are having their way. Strauss' budget balancing has steadied Schiller's drive to stimulate expansion. The re-

sulting gradualness of West Germany's emergence from recession is laying a sounder base for prolonged prosperity than unqualified pump priming would have.

II

WEST GERMANY'S POLICIES

In a report to 'Fortune', the USA's leading magazine of business, Gisela Bolte describes Schiller thus:

"Schiller's economics can hardly be described as Socialist. 'I believe', he explains, 'that modern economic policies should be a combination of the competitive play of market forces and of the Keynesian doctrine of safeguarding economic equilibrium.' Or put in simpler terms: as much free market competition as possible, as much planning as necessary. Instead of intervening directly in the economy, Schiller thinks it is government's job to supply sophisticated economic data to business and, by thus influencing its decisions, to reach national goals for investment, consumption, and employment. He has defined the goals precisely: a steady growth rate of four per cent, price stability that permits a rise in the cost of living of no more than one per cent, and maximum unemployment of one per cent.

"Schiller is proud of having finally made statistics a keystone of German economic planning. 'When management runs enterprises with the help of computers', he says, 'our economic policy cannot be operated in Biedermeier style or the fashion of unrestrained creative artists'. Another innovation he has introduced is what he calls 'concerted action'. This is embodied in regular meetings of federal, state, and local government leaders with central bank officials and management and labour representatives to exchange information and discuss the requirements of economic good behaviour".

Schiller has invented what he calls "social symmetry", which aims at equilibrium over the long-term between wages and profits. He explains to the workers that if company profits fall in one year, wages should not rise in that year, but that they should take their share of increased profits when profits rise again. Simultaneously he urges the employers not to cut fringe benefits when business is bad. (In West Germany, basic wages are contractual and cannot be cut, but a substantial part of earnings consists of bonuses and fringe benefits, non-contractual additions which may legally be reduced.)

On taking office, Strauss inherited Erhard's pre-electoral spending boom, but instead of following the easy-going policies adopted by Britain's Labour Chancellor, James Callaghan, he balanced the budget and restored confidence in the economy. The socialist Schiller accepted this until the economy had cooled off enough to allow him to launch some pump-priming, but he was cautious in doing this, so that the upturn was smooth and sustainable, the opposite of the UK's "Go" which crashes into a "Stop".

What is "Stabilisation Law"?

In May 1967, Schiller got his Stabilisation Law through Parliament, creating an Economic Council with a representative from each of the eleven states of the Federation, and four from the municipalities, which are voracious spenders and which, under the constitution, it is extremely difficult for the Federal government to curb, let alone control. The Economic Council meets regularly to promote agreement to co-ordinate the policies of the states and of the municipalities. Every January the government submits an economic forecast for the coming year, and keeps under review a five-year financial plan outlining Federal expenditures and revenue raising policies. If the economy slackens, or hots up, the government holds guidance meetings with employers, unions, state governments, and municipalities. Not to paint too rosy a picture, it must be admitted that these guidance meetings have so far been as inconclusive and full of exhortations and vague pious generalities as other guidance get-togethers between employers, unions, and ministers in the UK and the USA. There is, however, one vital difference: in the UK, the government creates the impression that it alone knows what is good for everybody ("the national interest") and that businessmen and industrialists are selfish "profiteers", who ought to be properly ashamed of themselves and spring, at the government's call, to attention with a well disciplined "Yes Sir!", whereas the West German government does not pretend to know better than businessmen and industrialists, still less to teach them their business, so that the atmosphere is closer to genuine consultation and exchange of views between groups who, from their different stand points, have the "national interest" at heart.

An important clause in the Stabilisation Law authorises the government to raise or lower, as required, depreciation allowances and rates of income-tax, without waiting for the annual budget—an innovation which other governments could usefully adopt in order to increase flexibility of fiscal policy. Schiller calls the Stabilisation Law "a milestone on the way to a new era in the free market economy".

In July 1967, Finance Minister Strauss contributed his bit to the Stabilisation Law by presenting forecasts for the years 1968-71. Although conservatively cautious in his forecasts, he assumed a steady annual growth rate of four per cent in GNP at a time when the economy was virtually stationary. Thereafter, however, the curve on the graph ceased to fall and began to creep upwards.

III

W. GERMAN STRUCTURAL CHANGES

The 1965-67 recession made, inter alia, one outstanding contribution to West Germany's long-term prosperity: it revealed where structural changes were necessary in the economy. In boom years, structural changes, or the need for them, are submerged in the general shortage of labour and the race for expanding production. A slow-down compels economy of labour, intensive market research, and rationalisation of production.

Even though West Germany's economy is now all set for a new upswing—the peak of which Finance Minister Schiller expects early in 1969—unemployment at the moment of writing remains around two per cent which is high for West Germany. In parenthesis, note that comparisons between the UK and West German percentages of unemployment are misleading. Whereas in order to avoid labour shortages and bottlenecks in production, the UK economy needs, under present circumstances (which could be substantially modified if union restrictive practices were abolished and the mobility of labour facilitated) average unemployment of probably at least 2.2 per cent, West Germany, by contrast, owing to the absence of restrictive practices in the unions and acceptance by both employers and workers of the continuing need for technological change, can get by, without over-full employment, with unemployment rates below one per cent.

That West Germany's unemployment remains around two per cent is due to pockets of exceptional regional unemployment persisting in declining industries, such as coal and textiles, or doubtfully hovering industries, such as steel and ship-building.

According to the Deutsche Bank's authoritative "Economic Review", the capital goods industries were alone among the main groups to increase their share of industrial turnover—by 130 per cent—between 1955-66. All other industries slipped back. In individual industries increasing concentration continues in chemicals and the metal-using industries. The table below shows the percentage changes in the three leading sectors of employment.

PERCENTAGE SHARES OF GAINFULLY ACTIVE PERSONS IN WEST GERMANY

	1955	1966
Agriculture and forestry	18.4	10.6
Industry and crafts	46.6	48.4
Trade, transport and services	35.0	41.0

Source: Federal Statistical Office.

West Germany's notoriously "miraculous" exporting has substantially facilitated her structural changes. Between 1955-66, sales abroad rose over 200 per cent, attaining DM 66,000 million. Not only capital goods but basic and producer goods, food processing, drink and tobacco all secured rising exports. In 1966, West Germany's four largest industries—mechanical engineering, chemicals, electrical engineering and vehicles (Are you familiar with the Volkswagon in India?)—accounted for well over 60 per cent of export turnovers as against less than 50 per cent in 1955. With a virtually stationary, or even momentarily declining, labour force output has grown from rising capital input, successful rationalisation and technological innovation. In industry as a whole, sales per employee rose by more than 80 per cent between 1955 and 1966.

Productivity the Secret

Growth and structural change are linked to productivity. Between 1955-66, West German industry roughly doubled output per man-hour. The industry which, thanks to automation, has achieved by far the greatest rise in output per man-hour is mineral oil processing. The capital goods industries achieved a lower than average rise in productivity in 1955-66 because, in them, rationalisation and technological progress had gone further than elsewhere and opportunities for improvement were, in recent years, therefore smaller.

In a free market, undistorted by price or other controls, immediate relationships exist between productivity and movements of prices (Are you listening there, Mr Morarji Desai?). West German industry has been able largely to absorb the general rises in costs, especially wages and salaries, by rationalisation and technological innovations ensuring higher productivity. Between 1955 and 1966, there was a 12 per cent rise in industrial producer prices—a moderate rise compared with other industrialised countries—but in the intensely automated West German chemical and mineral processing industries, producer prices have, in absolute figures, actually fallen. The greatest price rises naturally occurred in the declining and labour-intensive coal mining and wood processing industries, as well as, for other reasons, in mechanical engineering.

The conditions for economic growth in West Germany have changed beyond recognition since the end of the years of postwar reconstruction in which reserves of productivity were large, so that growth rates could be spectacularly high. The pace of West Germany's advance must now be nearer to the international average although even in relation to that, my own experience in ten annual study-tours of a fortnight each of the leading political, economic, industrial and financial centres in West Germany, leads me to bet on a continuing "miracle", a bet which I have won annually since the end of the "miracle" was first predicted as far back as 1958. The pace of West Germany's advance must now increasingly depend on structural switches between sectors.

Competitive substitutes between new materials (plastics, synthetic fibres, etc.), new sources of power (natural gas, atomic power), and new production process (automation and computerisation) intensify year by year in most industrialised countries but, from my first-hand knowledge I would say that in West Germany, it intensifies month by month. (If you do not believe me, compare the economic history of the USA, the UK, and West Germany since 1965.) Crucial for success in these fields is research, and here West Germany lags, in the percentage of GNP spent, behind both the USA and the UK. While my impression is that US research is, on the whole, extremely efficiently spent in the practical results that it obtains for industry, I believe that the UK's research makes tremendous contributions to the advancement of knowledge, which both the USA and West Germany (rather than the UK) exploit.

Removing the Barriers

The progress of European integration and of interlocking international relations between commercial and industrial enterprises of all kinds must continuously modify the economic structures both of West Germany and of her world trading partners. Removing the barriers to trade across frontiers is changing the pre-conditions of the international division of labour and creating steadily widening markets. (Any nationalist protectionist who dismisses the division of labour as old fashioned stuff has no contact with reality). One must hope that the integration of developing countries into world trade will increase year by year. If the industrialised countries have enough sense to know on which side of the bread their butter is spread, they will not only buy raw materials from the developing countries, as at present, but they will buy more and more semi-finished and finished products. I can, for example, as a consumer in an advanced industrialised economy, see no reason why we should continue to pour defensive investment capital into the European textile industries when to import, freely, without let or hindrance, textiles from Asia would lower European consumer prices—in many cases by much more than half—and release vast amounts of scarce European capital for infinitely more profitable investment in capital goods which Asia has no hope of producing within, say, the next 10, 15, or 20 years.

One must hope that Roy Jenkins will not only restore the UK's balance of payments by diverting goods to exports but that also, by enforcing intense internal competition, he will enable the UK to benefit by West Germany's sober credit policies which have revealed to her where structural changes are essential.

President Johnson has still to put the USA's economic house in order, but what I've written here about West Germany goes for the USA too, and since the USA's domestic economy and its contribution to world trade tower above those of West Germany, it goes for the USA with out-size knobs on.

Agreement on Special Drawing Rights

AMERICAN OFFICIALS have called the March 30 agreement by nine nations to create a new world reserve asset—referred to as Special Drawing Rights (SDR's)—a victory for the world monetary system. The nine-nation agreement winding up 10-nation monetary talks in Stockholm was reached by Finance Ministers and central banking chiefs of the United States, the United Kingdom, Federal Republic of Germany, Italy, Belgium, the Netherlands, Sweden, Canada and Japan. France did not sign the agreement.

American officials said that the agreement—which would create reserves to supplement gold and dollars—was the end of a long, hard road begun in the summer of 1965. The agreement, they added, is not designed just for the United States but for global reserves. France has decided to review the outline plan adopted at the International Monetary Fund (IMF) meeting in September and the draft text from the meeting that has now been submitted to the Fund reporting its final decision.

One of the key points of the discussions in Stockholm was the "opting out" provision. The outline plan had provided a means by which a country could withdraw—or "opt out"—from participation after it had achieved 50 per cent of the SDR's allotted to it under a quota system. This was designed primarily for France and its acceptance at the Stockholm meeting shows a willingness of other countries to go along with the French provision, American officials said. It is not expected that other countries will use the provision, they added.

France, however, wanted another "opting out" provision, by which, if a country voted against the activation of the SDR's and was defeated, it could withdraw from participation, the US officials said. Europeans were more opposed than the United States to the second "opting out" provision, the American officials said. They characterized the concessions as a willingness of all countries to go as far as possible to keep a workable plan and still keep France as a participant.

French Veto

It is a workable, viable plan, the Americans said, adding that when France reviews the plan, it is hoped there will be 100 per cent participation. An abstention by France would keep the other members of the European Economic Community (EEC) from having a veto power in the Fund, the American officials said, but would not destroy the ability of the SDR plan to work. The recent gold crisis, the Americans said, underlined the need for the machinery to create new world reserves and helped create more determination among financial authorities to come to an agreement. The final agreement next goes to the 107 member countries of the Fund for parliamentary ratification to set up the means to create the reserves

Here is the communique issued on Saturday (March 30) after the ministerial meeting of the group of ten, which was held in Stockholm:

The Ministers and Central Bank Governors of the ten countries participating in the general arrangements to borrow met in Stockholm on March 29-30, 1968, under the chairmanship of Mr Krister Wickman, Minister for Economic Affairs of Sweden. Mr Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, took part in the meeting, which was also attended by the President of the Swiss National Bank, the Secretary-General of the OECD and the General Manager of the BIS.

The Ministers and Governors first discussed the international monetary situation and, second, they considered a report by the chairman of their deputies on a proposed amendment to the articles of agreement of the IMF which has been drawn up in accordance with the resolution of the Board of Governors of the IMF adopted at the annual meeting of the Fund in Rio de Janeiro last September. This amendment relates to the scheme for Special Drawing Rights in the Fund, the outline of which was approved at that meeting, and to improvements in the present rules and practices of the Fund.

The Ministers and Governors expressed great satisfaction with the action taken by the United Kingdom which is designed to achieve a substantial overall surplus in the United Kingdom's balance of payments by 1969. They also took note with equal satisfaction of the declaration made by the Secretary of the Treasury of the United States stressing how much the United States is conscious that early action is necessary, through appropriate fiscal and monetary measures, to improve substantially its balance of payments and that this objective is given the highest priority by the President of the United States in the interests not only of the United States economy but also of the general stability of the international monetary system.

The Ministers and Governors reaffirmed their determination to co-operate in the maintenance of exchange stability and orderly exchange arrangements in the world, based on the present official price of gold.

Substantial Contribution

They consider that, while the scheme to establish Special Drawing Rights in the IMF on which they have now agreed will not prove a solution to all international monetary problems, it will make a very substantial contribution to strengthening the monetary system.

Moreover, they intend to strengthen the close co-operation between governments as well as between central banks to stabilize world monetary conditions.

As regards the amendment to the articles of the IMF, the Ministers and Governors noted with appreciation the performance of the Executive Directors of the IMF in carrying out the task entrusted to them and agreed to give the necessary authority to the Executive Directors of their countries, so that, in co-operation with those of other countries, they will be able to complete the final draft of the proposed amendment. In approving the changes in the rules and practices of the existing structure of the IMF the Ministers and Governors agreed to co-operate with each other and the other members of the Fund to avoid their application in any unduly restrictive manner.

They took note that this proposed amendment will be attached to a resolution which will be transmitted to the Board of Governors of the IMF with an explanatory report and that the Governors will be requested to vote by correspondence as is the usual practice of the Fund. The Ministers and Governors noted that the Managing Director of the Fund was confident that the Executive Directors would be able to transmit these documents to the Board of Governors within a brief period.

One delegation did not associate itself with some of the provisions given above in view of the differences which it has found between the outline adopted at the meetings in London and Rio de Janeiro and the draft text now submitted by the Fund and because the problems which it considers fundamental have not been examined.

Consequently, this delegation fully reserves its position and will wait until it is in possession of the final texts before reporting to its government.

ECAFE Meeting in Canberra

SOME 350 delegates are expected to attend the 24th session of the United Nations Economic Commission for Asia and the Far East (ECAFE) in Canberra this month. All 29 ECAFE member countries—22 regional, five non-regional and two associated members—will be represented. Organisers are preparing for observers from 20 countries and from about 40 United Nations special agencies and other international agencies.

The conference will be the largest international government conference ever held in Australia. The opening ceremony will be held on April 17 and the conference will continue until April 30. Commenting on the venue of the conference, Australia's Minister for External Affairs, Mr Paul Hasluck, pointed out that the session would be the first occasion on which Australia was the host country since it became a full member of the commission in 1963.

Australia has been a member of the commission since its foundation shortly after the Second World War. For the first 17 years of its ECAFE membership, Australia worked with the commission as a non-regional member. Even as non-regional member, Australia was in a special position within the commission because of its geographical proximity and regional interests. In 1948, at a very early stage in its existence, the commission accepted an invitation to hold its annual meeting at Lapstone, New South Wales. In 1959 Australia was again host to the commission's annual meeting, at Broadbeach, Queensland. Australia is the only member country to have been host to the commission meetings while it was not a regional member.

While Australia's economic assistance to Asia is mostly under the auspices of the Colombo Plan, it is inevitably influenced by membership of the commission. Through participation in meetings of the commission and its subsidiary bodies, Australia has become much better aware of Asia's needs and has sought support for them in world forums. Through its membership of ECAFE Australia has sought to co-operate in every way possible with the countries of Asia in their struggle to overcome the obstacles impeding their economic growth. Australia has supported and contributed to specific ECAFE projects—the Mekong Scheme, the Asian Highway, the Asian Institute for Economic Development and Planning, and most recently, the Asian Development Bank. Australia has, whenever possible, responded to requests to provide the services of technical experts for surveys, seminars and studies.

A Common Search

Mr Hasluck told the 23rd session of the commission: "We in Australia are always ready to help when we are asked to do so, and as our resources allow, in the work of ECAFE, and in the general tasks of economic development of the region".

A geographical area as large as the ECAFE region, which includes countries in Asia and the Pacific, and stretches from Iran in the west to western Samoa in the east, covers a tremendous diversity of climate, topography and natural resources. Broadly, the region can be divided into two parts, one comprising the more advanced member countries such as Australia, New Zealand and Japan, and the other comprising what are generally described as the developing ECAFE countries. While the developing ECAFE countries exhibit great diversity, they have certain features in common. The most important is that they are all low-income countries with per capita income levels varying from about $A50 to $A200 a head a year.

More than half the world's population lives in Asia and the region's population is expanding rapidly. United Nations studies indicate that by the end of the century Asia's population will have reached between 2,500 million and 3,900 million out of a world total of about 7,000 million.

Agriculture, the dominant economic activity within the developing ECAFE countries, accounts in most of them for more than 40 per cent of the national product. It provides employment for about 60 per cent of the population. In such countries the proportion of the population employed in industry rarely exceeds 11 per cent. Although agriculture is so dominant, it is only in the relatively less densely-populated countries such as Burma and Thailand that there are any substantial agricultural surpluses for export. A basic requirement for the promotion of economic and social development is an improvement in the productivity of agriculture.

Agriculture in the developing ECAFE countries requires, above all, more extensive irrigation, the application of new seeds and more and better fertilisers, and the use of improved agricultural machinery. Like developing countries elsewhere, the developing ECAFE countries depend on a narrow range of primary products for the bulk of their foreign exchange earnings used to pay for imports of capital goods and essential consumer goods.

Balance-of-Payments Gap

Since the early 1950s the international prices of most primary products have been falling and prices of manufactures rising. This has resulted in an increasing balance-of-payments gap for the developing countries, which has had to be filled or partially plugged by assistance from the more advanced countries and international financial institutions. The adverse trend in terms of trade has been accompained by considerable fluctuations in the international price of primary commodities. Export receipts of some Asian nations have fluctuated by as much as 15 per cent from one year to the next, making effective and efficient economic planning almost impossible.

A second requirement for economic progress in the region is therefore the promotion of export trade, both on an intra-regional and an extra-regional basis, to achieve a stable balance-of-payments situation and to provide foreign exchange for development purposes. The rapid growth of population in most Asian countries requires the development of industries to provide additional employment opportunities.

Industrial development, if it could proceed quickly enough, could also help to improve agricultural productivity by producing agricultural requirements. Such developments require large investments of capital but the low levels of income prevalent in Asian countries do not permit the accumulation of anything like the necessary level of savings.

The United Nations has estimated that US $6,610 million would be needed for industrialisation alone by the developing Asian countries to raise their per capita income by a mere two per cent a year. Net domestic savings in the region are estimated at about US $800 million. Last year the area received US $3,200 million in aid from the major western aid-giving countries and from international organisations. While the level of such assistance to Asian developing countries has been rising gradually in recent years, much of it has been in the form of loans. As a result, the total external debt of the developing countries in Asia in 1965 was estimated by the International Bank for Reconstruction and Development at US $11,000 million and debt-servicing payments at US $470 million —more than nine per cent of combined merchandise exports.

The mounting burden of external debt-servicing commitment has led in some cases to situations where international bankruptcy could be avoided only by the re-scheduling of debt-servicing commitments. Thus a third important requirement for economic development in Asia is the provision of capital on suitable terms to finance long-term development. It was in response to problems such as these that the Economic Commission for Asia and the Far East was established in 1947. It is these problems the commission will be considering when it meets in Canberra.

The moving finger writes

HANOI'S FAIRLY prompt and essentially favourable response to President Johnson's decision (and directive to the US military command in South Vietnam) to "de-escalate" the war could have surprised only the UN Secretary-General, U Thant, and the US Senator. Mr Fulbright, who had felt that the White House had not gone far enough to meet President Ho Chi Minh's conditions for joining in peace talks. The Government of North Vietnam, evidently, realises that it could spurn President Johnson's gesture only at the risk of driving the US government to step up its military effort further and to a degree which Hanoi certainly is in no position to contemplate with equanimity. Death and destruction have already taken such a heavy toll that an early truce has become an imperative for Vietnamese survival.

* *

So much of the history of politics is a biography of personal ambition that it is perhaps natural that President Johnson's decision to opt out of the race for the Democratic nomination should have prompted some people to speculate about his possible political calculations or purposes. The truth, however, could be much simpler than what these people may be prepared to grant. It seems to me that President Johnson, at this difficult time in his nation's history and at this moment of crisis in his own personal fortunes, is simply being true to himself. Right under the skin of his rather rank and rumbustious Texan's exterior there has always been a sensitive, inward-looking, somewhat insecure soul with more than a streak of idealism to it. LBJ first came to the presidency when all of America was in a traumatic shock and, as he moved into the White House, he felt in his own person the surging back of a nation's hope and confidence. Later, as he became President for a second time and in his own right, he received from the American people a mandate to govern which was as clear and generous as any had ever got in the history of the US presidency. All this made him conscious of a tremendous responsibility for the United States in its present and in its future. He resolved that it was up to him to unite the Americans and lead them so that the nation would become for all time confident in the exercise of its strength and benevolent in the disposition of its wealth—and this not only within its confines but in the wider expanse of the world.

Committed thus, he saw the confrontation between American democracy and Asian communism in the conflict of Vietnam as both a challenge and an opportunity. Believing that the American people shared with him his mission and his passion, he pursued the one and cultivated the other until that grim moment last week when, in a sombre moment of final introspection, disillusionment came to him and he, in his moment of truth, saw that much of America, if ever it was with him, was not any more with him. While the realist in him saw that he could not persevere with a war which more and more American people did not want to fight, the idealist felt no less clearly that the President could not disengage or even appear to disengage from his Vietnam policy without first denying to his person any possible political gains from that course. His decision to "de-escalate" the Vietnam war would have been without dignity or even credibility in the absence of his announced intention not to seek to stay at the White House. He has bowed, not once but twice, to the democratic will of the American people by enlarging their options for not only a new policy for Vietnam but also a new leadership for the nation.

Some of the younger members of the central government seem to be wearing well. Dr Chenna Reddy, for instance, does not seem to have lost any of his original enthusiasms despite the fact that he has had more than his share of frustrations in working the government machinery to some purpose. Much of Dr Reddy's efforts at improving the functioning of public sector enterprises or speeding up the progress of private sector projects is still to yield concrete results. But there are at least indications that he is beginning to get somewhere, particularly with regard to the reorganisation of Hindustan Steel.

Dr S. Chandrasekhar has surely bettered his promise by his performance. I am particularly pleased to find that he is becoming less impulsive without becoming any duller in imagination, initiative or enterprise. Having successfully sold to the nation the idea of a family planning programme on a war footing, he has now rightly begun setting this effort in its perspective. Lest untutored impatience might undermine the confidence of the people, he has been tactfully suggesting that it will be only in the middle of the 'seventies that the measures now being taken would make their first considerable impact felt on the rate of growth of the population. There is a Tamil saying that a barren woman, doing penance for the gift of a child, went round a sacred banyan tree and immediately began to feel herself for signs of pregnancy. I suggest that just as it takes time to make a child, it does take time too to reduce child births in the nation.

Of Mr Dinesh Singh it should be possible to be hopeful. I have heard brethren in the profession remark that the Commerce Minister came out of UNCTAD-II with considerably more knowledge of national and world commerce than he took to it. That Mr Dinesh Singh could learn was never in doubt and if only he would want to learn more about more things relating to his ministerial responsibilities, the better it would be for good government and the nation's trade and industry.

Mr B. R. Bhagat has already had some exciting moments during his brief period in the Ministry of External Affairs. Mr K. C. Pant, at the Ministry of Finance, on the other hand, has been very much less in the limelight. Mr Pant has a certain earnestness which lends to the force of his intelligence a reassuring quality. He imparts confidence without exuding it and is certainly doing some very solid work at the departmental level and gaining valuable administrative experience which must be all to the good of the machinery of the Finance Ministry.

Finally, there is Dr V. K. R. V. Rao. He may not be young in years, but age is powerless against him and there is, therefore, in his case no withering of charm or staling of variety. The fact that he is an outsider vis-a-vis the political panjandrums in the central government has been all to the advantage of his portfolio since it leaves him comparatively uninvolved in extraneous matters and enables him to give his ministry the amount of time and attention which all ministries should actually receive from their ministers. Although the Ministry of Transport and Shipping may not exactly be one of the prestige ministries, there is no doubt at all that it is a very important one in relation to our economic development and that it does call for sound economic judgement as well as vigorous administration. Rather surprisingly, Dr Rao seems to be capable of the latter as well as the former and I expect that one of the good results of his stewardship would be an early restoration to health of the Visakhapatnam shipyard.

V. B.

NATIONAL MARITIME DAY

—AN EASTERN ECONOMIST SUPPLEMENT

Fine Work by Merchant Navymen

Dr V.K.R.V RAO

This article comprises extracts from Dr V. K. R. V. Rao's talk broadcast from the Delhi station of All India Radio on April 4, 1968, on the eve of the National Maritime Day.

INDIA'S MARITIME history has a record of achievements in the field of international shipping and trade as well as in shipbuilding. But this sector of our activity suffered grievously during the days of foreign domination. On the eve of Independence in 1947, our national fleet was small being barely 200,000 tons gross and that too confined very largely to coastal waters. We were, however, determined to revive our maritime heritage and not only expand but also modernise our shipping. One of our first policy decisions after Independence, therefore, was to develop our national merchant marine as rapidly as possible with a view to carrying a reasonable proportion of our overseas sea-borne trade in national vessels. As a result, our shipping tonnage has grown very nearly to two million gross registered tons; and it is employed in diverse trades and routes, and traverses the various oceans of the world. Believe me, my friends, it is indeed a heart-warming sight for an Indian to see the Indian National Flag fluttering on the mast of an Indian ship in a far away port, which may be in the USSR or the USA or the UK or Australia or Japan.

Our merchant fleet now consists of different types of vessels. We have in operation cargo liners of 10,000 to 12,000 tons deadweight, bulk carriers of 20,000 to 42,000 tons deadweight, and tankers of over 55,000 tons deadweight. We have passenger ships also with a carrying capacity, in some cases of 1,000 passengers each. On order are three ore/grain/oil carriers of 85,000 tons deadweight each and two tankers of 88,000 tons deadweight each, due for delivery during the next two or three years. I have also the hope that Indian shipping would be able to order its first 100,000 tons vessel in the not too distant future.

Our main objective in acquiring shipping tonnage is to promote our own trade and also to save valuable foreign exchange spent on the use of foreign vessels. Indian ships are now earning nearly Rs 50 crores net in foreign currency from freight in India's overseas trades. This is a substantial contribution to our balance of payments position.

In spite of this significant progress made in recent years, we have still a long way to go. Our objective is to increase the share of our foreign sea-borne trade in national ships from its present fifteen per cent to fifty per cent. To this end, we propose to build up our operative fleet to at least three million gross registered tons by 1970-71. The outlines of the next five-year Plan are now under consideration and I have no doubt that our target would be substantially higher for the new fourth Plan.

In this task of shipping development, we have to face a number of challenging problems. The conventional cargo liner is being replaced by a container ship. Cargoes are loaded on container ships not in small packages, but in large containers which are generally 20 feet long, eight feet wide and eight feet deep and sometimes twice as big. For the transportation of bulk cargoes, large bulk carriers of 80,000 to 100,000 tons are being utilised already. A far more impressive transformation is taking place in the transportation of crude petroleum where, today, tankers of more than 200,000 tons are already in operation. Even larger vessels are under construction. Thus, a major revolution is under way in shipping technology.

For handling these large vessels, we would require improved port facilities, such as deeper drafts, stronger berths and larger and more efficient off-shore facilities. Port improvement has to proceed in step with shipping development. That is why government have now appointed a high powered Port Commission, for making a thorough and comprehensive review of our existing port facilities and make recommendations for necessary improvements in the coming years so that India's trade and shipping may be able to meet the challenge.

It needs no saying that ships are as good as the men who man them. The competence and efficiency of our merchant navy personnel would determine the quality and competitiveness of our merchant shipping services. To meet the personnel requirements of merchant shipping, the Government of India has set up six training institutions in different parts of the country. The oldest of them all and the most widely known is the "Dufferin" in Bombay. She has produced an excellent cadre of navigating officers and it is a matter of pride that many Dufferin boys are not only manning our merchant ships, but are also occupying senior positions in our defence Navy. The Directorate of Marine Engineering Training looks after the technical training of marine engineers. This institution also has built up a fine name for itself. The Lal Bahadur Shastri Nautical and Engineering College provides intensive training to merchant navy officers in engineering and navigation for post-sea certificates of competency. This is the only institute of its kind in south-east Asia. In addition, there are three training institutions for merchant navy ratings. The technical competence of our navigators and engineers is comparable to the best anywhere. They have served the country with commendable courage, sense of responsibility and devotion to duty in operating extremely valuable ships and cargoes and, even more, valuable human lives.

Government intends to keep our merchant navy training facilities under constant review. This task has been entrusted to a national merchant navy training board. On the recommendations of this advisory board, government has recently decided to replace the "Dufferin" by a new training ship.

The growth of our shipping tonnage and the welfare of our shipping personnel are receiving our attention in a coordinated manner and I am happy that in this task, we have the invaluable advice of the National Shipping Board to which I would like to pay a special tribute. But these matters should interest all of us as citizens wherever we may be because merchant ships and seamen serve us all. They carry vital imports for the nation, service our export trade, and enable us to earn foreign exchange for the country. They function as a second line of naval defence in times of emergency.

Whither Indian Shipping?

VASANT J. SHETH

THE GROSS registered tonnage of the Indian merchant marine has almost reached the 2-million mark. The investment in the Indian shipping industry at original cost price is of the order of Rs 200 crores. It is estimated that Indian shipping earns annually over Rs 100 crores in freights and makes a significant net foreign exchange contribution of Rs 50 crores a year to the country's balance of payments. With regard to the size of the fleet, India now ranks 17th among the maritime nations.

In the last two years, however, the pace of development has slackened. More important than this, however, to the future of the shipping industry in India is the fundamental change that has taken place and is taking place in the types and sizes of ships in the world shipping industry. If we do not take cognizance of the great changes in the structure of the world shipping industry and plan scrappings and acquisitions of ships in consonance with these trends, Indian shipping industry will not only lag behind but will face gradual annihilation in the next decade. It is high time that we study the new trends in world shipping and plan modernisation and expansion of the Indian fleet in the context of these trends.

The revolutionary changes which are taking place in the world shipping industry pose a threat as well as a challenge to the shipping industry in India. After World War II Liberty ships of about 10,000 d.w.t. each and T-2 tankers of about 16,000 d.w.t. each were considered adequate in size for carriage of dry bulk cargoes and oil. Now bulk carriers of over 60,000 tons and tankers of over 150,000 tons are carrying sea-borne dry and liquid cargoes. The liner shipping which was static and unchanged for many decades is also undergoing a revolutionary transformation. Container ships have now been introduced in some liner trades and it appears that important liner trades will be progressively containerised over the next decade. As a result of these fundamental structural changes in the shipping industry, the costs of ocean transport have been greatly reduced.

These structural changes constitute a threat to the shipping industry in India because Indian ships will soon get obsolete and uneconomic. If Indian shipping is to survive and expand, we must have a fleet of ships in tramp, tanker and liner trades which will be able to compete on equal terms with ships of other flags. We must gradually dispose of the ships which become obsolete and uneconomic due to the new technological advance and buy giant-sized bulk carriers and tankers and progressively introduce container ships in the liner trades. Incidentally, this is also essential for our overall economy because it is only by lowering transportation costs that we can sell our exports in foreign markets in competition with exports from other countries which will be carried in the new types of ships and will, therefore, have lower transportation cost.

The magnitude of changes in the shipping industry can be appreciated from the fact that one container ship is capable of achieving the transport performance of 10 traditional liner ships in a year. In the India/UK/Continent liner trade there are about 40 to 45 Indian ships operating at present. Their work can be taken over by 4 to 5 container ships. In the India/USA east coast liner trade about two to three container ships can adequately serve the present liner trade which is catered to by 24 Indian ships. If Indian Shipping is to hold its own in the tramp and tanker trades, it will have to acquire bulk carriers of over 60,000 to 70,000 tons and tankers of over 100,000 tons.

Shipping in Public Sector

C. P. SRIVASTAVA

Mr C. P. Srivastava is Chairman and Managing Director of the Shipping Corporation of India

ONE OF the first policy decisions of the Government of India soon after the attainment of independence in 1947 was to develop an adequate merchant navy. As a part of this policy, direct government investment in the field of shipping and the creation of a public sector was considered appropriate, indeed essential. As result of this new policy of direct state participation, a scheme for setting up two or three shipping corporations in the public sector was mooted during the year 1947-48 and implemented in March, 1950 by the formation of the Eastern Shipping Corporation Ltd, with the Scindia Steam Navigation Company—a company in the private sector—holding 26 per cent of the capital. The first shipping corporation was thus in the form of a 'mixed ownership'. The Scindias acted as managing agents of the Eastern Shipping Corporation. The Western Shipping Corporation Ltd, a public sector corporation, was formed in 1956. The Eastern Shipping Corporation also became a full fledged state concern in 1957 when the Scindias ceased to be the managing agents of the Corporation as a result of certain provisions of the Companies Act, 1956, and the government bought over the shares of Scindias. On the recommendation of the Estimates Committee of the Second Lok Sabha in its 38th Report, these two corporations were merged by the Government of India into a single corporation, namely, the Shipping Corporation of India Ltd, with effect from October 2, 1961.

On the date of the merger, the tonnage owned by the Shipping Corporation was of the order of 1,38,598 gross tons represented by 19 vessels. Since then, the Corporation has made steady progress in the acquisition of additional tonnage as would be evident from the following table:

Date	Number of vessels	GRT	DWT
2-10-1961	19	1,38,598	1,92,319
31-3-1966	35	3,04,244	4,32,629
31-3-1967	43	3,82,484	5,37,650
31-3-1968	52	4,52,291	6,47,730

No less than 29 vessels aggregating about 500,000 gross registered tons are under order. More orders are under examination. At the end of the current year, the Shipping Corporation of India Ltd, is likely to own a tonnage of about 500,000 gross registered tons. By about 1971-72, it may be doubled to about a million tons.

The expansion programme of the Corporation also takes into account the need for securing possibilities of cheaper transportation of bulk commodities for the country by use of large-sized vessels. The largest tanker and bulk carrier in the Indian fleet at present are of 54,816 dead weight and 42,610 dead weight respectively. The Shipping Corporation has now under construction tankers of 88,000 dead weight tons and bulk carriers of 85,000 dead weight tons which are by far the largest vessels for entry in the Indian register.

The operational efficiency of the Shipping Corporation of India can be gauged from the fact that on the paid-up capital of Rs 23.45 crores in 1961-62 there was a net profit of Rs 1.07 crores whereas on the same capital the net profit in 1967-68 was about Rs 5 crores. During the same period the tonnage employed increased from 1,45,224 to 4,52,291 GRT and the cargo handled increased from 8.70 lakh revenue tons to 17.50 lakh revenue tons.

Out of 81 vessels owned or under order, as many as 29 vessels involving a total capital outlay of over Rs 61 crores of a dead weight of about 640,000 tons were financed exclusively from the corporation's own resources. Attention has also been given to the improvement of the quality of administration through the application of modern techniques. The accounting system has been mechanised and the administration is now officer-oriented.

Another company in the public sector is the Mogul Line Ltd, in which the Government of India acquired 80 per cent interest in 1960. This company caters to the passenger traffic between India and Red Sea, specially for the Haj pilgrims. Quite recently, the company has acquired a tanker for employment in the oil trade of the country. The controlling interest of 80 per cent was initially acquired by the government through the Western Shipping Corporation. Consequent upon the amalgamation of the Eastern and Western Shipping Corporation, the Mogul Line became a subsidiary of the Shipping Corporation of India. The Government of India purchased the entire shareholdings of the Shipping Corporation in the Mogul *Line in 1962 and, therefore, the Mogul Line came under the* direct control of the Government of India.

Trade Winds

SPECIAL DRAWING RIGHTS

NINE OF the world's ten leading monetary powers which met in Stockholm last month-end, have agreed to establish Special Drawing Rights in the International Monetary Fund (IMF) as a new world monetary unit. The tenth member of the Group of Ten, France, is not associating with the plan. The nine nations which approved the plan are the United States, Canada, Britain, Federal Republic of Germany, Italy, Belgium, the Netherlands, Sweden and Japan. If all the other IMF nations participate, it means that 95 per cent of world financial resources will be embodied in the scheme. The SDR plan will come into being when it has been ratified by 64 of the 107 member nations of the IMF. After that it must be decided whether to activate the new money units. If the answer is yes, they probably could be activated some time in 1969. The size of the first activation is not fixed, and rests on a judgment of what is required. The maximum would be 50 per cent of the IMF quotas, of US $10,000 million.

FOOD AND AGRICULTURE

A record level of foodgrain production of over 95 million tonnes is expected during 1967-68 which will exceed last year's production level by 20 million tonnes and will also be higher by six million tonnes than the previous record level of 89 million tonnes in 1964-65. This is revealed in the annual report of the Ministry of Food and Agriculture (Department of Agriculture). Production of commercial crops during 1967-68 is also expected to be considerably higher than in the preceding year. Production of five major oil seeds may be around the 1964-65 level, that of jute may regain the record level of 6.4 million bales attained in 1961-62 and that of cotton may be higher than last year. The supply of inputs and financial credit was stepped up substantially to realise this achievement. The target for coverage under high-yielding varieties of seeds for 1967-68 was fixed at 6.07 million hectares and it is likely to be realised. The target for 1968-69 is 8.5 million hectares. The target for 1967-63 under the multiple cropping programme is to cover three million hectares. Both government and non-government expenditure on minor irrigation schemes is estimated at Rs 156 crores during 1967-68. The agricultural area benefited by plant protection measures was 24.29 million hectares in 1966-67. The anticipated achievement for 1967-68 is estimated at 36.43 million hectares, and the target for 1968-69 is about 55 million hectares. In 1967-68 the total supply of institutional credit has been increased by Rs 100 crores over the estimated level of Rs 550 crores for 1966-67. The report of the Department of Food reveals that by the end of 1967 about 31 million people had been brought under statutory rationing and 245 million under informal rationing, covering a little more than half of the population. The total imports of foodgrains during the year 1967 amounted to 8.7 million tonnes as against 10.4 million tonnes during 1966. Internal procurement during 1966-67 exceeded four million tonnes. At the end of 1967 the number of fair price shops and ration shops in the country stood at 145,000 as against 139,000 functioning at the end of 1966.

Hindustan Aluminium's Export Drive: Hindustan Aluminium Corporation Ltd, India's largest producer of aluminium, has launched a vigorous drive for exporting its primary and semi-manufactured products to markets in the Middle East, the Far East and Europe. The company finalised, during the past few months, export contracts for over 2,190 tonnes of aluminium, representing a foreign exchange earning of more than Rs 83 lakhs. Out of this, 590 tonnes have already been shipped and 1,605 tonnes are due for shipment shortly. The export orders include aluminium ingots, corrugated sheets, circles, flat sheets, extruded rods, structural angles and flat bars for shipment to Iran, Iraq, the UAR Ceylon, Malaysia, Thailand, Hongkong and Switzerland. Hindalco, a Birla-Kaiser enterprise, has now a capacity to produce over 70,000 tonnes of aluminium a year, which is more than the capacity of all the other Indian producers put together. The company plans to double its present capacity by 1971.

Sheep from USA: Rambouillet breed sheep, numbering 734, arrived in New Delhi last month by air from the United States and were sent to Uttar Pradesh and Jammu and Kashmir, where they will be multiplied at government farms and thereafter utilized for improvement of local species through cross-breeding. More contingents of sheep will be arriving during the current month to complete the total of 1,460. Rambouillet sheep are being imported as part of our programme to improve the quality of sheep in selected areas for production of fine wool.

ISMA President: Mr D. C. Kothari has been elected president of the Indian Sugar Mills Association, while Mr V. H. Dalmia is the new vice-president. The following are the members of the committee: Mr R. P. Nevatia, Mr S. N. Gundu Rao, Mr S. K. Somaiya, Lala Bansidhar, Mr S. Jaipuria, MP, Mr K. K. Birla, Mr D. D. Puri, Mr M. L. Apte, Mr M. D. Khaitan, Mr P. Narang, Mr B. M. Thapar, Lala Hariraj Swarup, Mr T. Kanoria, Mr M. L. Modi, Mr S. S. Kanoria and Mr M. Nopany.

Family Planning Advisory Committee: The union Ministry of Health, Family Planning and Urban Development has decided to constitute an advisory committee for social workers and voluntary organizations. The committee will be headed by Dr S. Chandrasekhar, Minister of State in this Ministry, and will advise the government on ways and means to ensure extensive and effective participation by voluntary organizations and social workers in the family planning programme.

Co-operative Farming Societies: The central government has advised state governments to revitalise co-operative farming societies so as to ensure qualitative growth of the programme. There are at present over 8,250 co-operative farming societies in the country. Together they have about two lakh members and cover 11 lakh acres of land.

Concessional Hill Station Return Tickets by Railways: The railways have decided to issue concessional return tickets to hill stations from May 15 to October 15, 1968. These tickets will be valid for three months and will be issued from all railway stations from which the chargeable distance is 240 kilometres or more.

National Defence Fund: The executive committee of the National Defence Fund has decided to utilize Rs 17.75 crores from the fund for the purchase of a squadron of fighter aircraft, a regiment of tanks and a naval ship, taking the total utilization so far to Rs 51 crores. The fund was established in 1962 and consists entirely of voluntary donations made by the people. At the end of February, the total contributions stood at Rs 80.62 crores.

New One and Two Rupee Currency Notes: A new series of one rupee currency notes, bearing the signature of Dr I. G. Patel, Special Secretary, Ministry of Finance, is to be issued shortly. Also, the Reserve Bank will be issuing new two-rupee notes bearing the signature of its Governor, Mr L. K Jha. There will be no change in their designs.

Trade with Senegal: Senegal has found an Indian tender for railway wagons most suitable. This was stated by Mr Djime Momar Gueye, leader of the Senegal delegation to UNCTAD-II, who met the union Deputy Minister for Industrial Development. Mr Gueye has shown interest in machinery for the manufacture of auto and cycle rickshaws, fruit preservation and canning industry and paddy huskers. He was of the opinion that some of the Indian manufactures like autorickshaws and paddy huskers could be tried out in his country. Eventually projects could be set up in Senegal for producing machinery to manufacture these items. Mr Gueye suggested that a team from India should visit his country to study conditions for the establishment of new industries.

Consumer Co-operatives: The government has decided to take various steps to streamline the running of co-operative department stores, including rationalisation of staffing pattern, strict adherence to business efficiency norms and arrangements for procurement of consumer goods directly from manufacturers. At present, consumer co-operatives handle about eight per cent of the retail trade in essential consumer goods, through 51 department stores set up so far in metropolitan cities and big towns. There are now 13,000 primary and branch co-operative stores with 348 wholesale stores. The movement aims at controlling 20 per cent of the country's retail trade in essential commodities.

Indo-Pak Agreement on Telecommunications: The representatives of India and Pakistan, who met in New Delhi last week, agreed to install improved telecommunication equipment on three major routes, viz., Lahore-Amritsar-New Delhi, Calcutta-Dacca and Karachi-Jodhpur-Bombay. The two sides decided to simplify the accounting procedure to ensure free flow of traffic between the two countries. They also agreed that telegraph and telephone routes from one country to the other may be streamlined and made comparable.

HMT Machines on Rental: The state-owned Hindustan Machine Tools has introduced in the cities of Bangalore, Bombay, Madras and Poona a scheme under which an entrepreneur can now acquire an HMT machine on payment of advance equivalent to three months rent and use the machine on payment of monthly rent which varies from Rs 600 to Rs 1,250. The plan covers seven types of machines in the price range of Rs 23,500 for a general purpose lathe to Rs 50,000 for a sophisticated gear shaper. Some more machines are likely to be included later while the scheme may also be extended to other centres. The plan also gives the option to the entrepreneur to purchase the machine/machines outright, in which case HMT will grant a rebate of 50 per cent of the rental paid by the entrepreneur.

RBI Advances Against Cotton: The Reserve Bank has modified the control on advances against the security of indigenous cotton and kapas. It has revised the ceiling of advances to 110 per cent of the peak level during the corresponding three-month period commencing with April-June 1967 or the present ceiling together with additional limit granted, whichever is greater. A uniform margin of 25 per cent has been prescribed for all parties.

Sulphuric Acid Plant at Sindri: A sulphuric acid plant with 880-ton-a-day capacity will be set up at Sindri under the rationalisation scheme, according to an agreement signed between the Fertiliser Corporation of India and Techno-Export of Bulgaria. Of the total estimated cost of Rs 6.33 crores, Rs 2 crores (cost of imported equipment and technical assistance) would be met by Techno-Export. Payments will be made in rupees on a deferred basis at an interest rate of 2.5 per cent per annum.

Vanaspati Prices Reduced Further: Vanaspati prices have been reduced further with effect from April 1, by 19 paise per kilogram in the north, south and east zones, and by 17 paise in the west zone. The maximum retail prices now are:

	16.5 kg.	4.0 kg.	2.0 kg.	loose per kg.
North Zone	58.28	15.76	8.31	3.53
South Zone	58.97	15.93	8.40	3.57
East Zone	59.14	15.97	8.42	3.58
West Zone	56.56	15.34	8.11	3.43

FAO Food Aid to Rajasthan: A gift of free foodgrains worth Rs 4 crores will be given by the Food and Agriculture Organisation of the United Nations to the Rajasthan government for distribution among the 12,000 workers engaged in the Rajasthan canal project. The state government has decided to disburse this grain among the workers at half the rate. The amount thus realised will be utilised to provide drinking water in the desert areas.

Duty on Export of Block Mica and Skins: Exemption in the case of export by post of block mica and skins of reptiles and wild animals has been restricted with effect from April 2, 1968, to samples and gifts only of such goods not exceeding Rs 50 in value.

Sugar and Gur: The Government of India has promulgated an order under the Essential Commodities Act providing that gur shall be used only for purposes of human consumption or cattle feed. In order to increase the availability of sugar for consumers, the government has also decided to give a special release of 24,000 tonnes of sugar for sale by factories in the open market. In addition, 10,000 tonnes of levy sugar is also being allotted to the state governments. The levy sugar will also be available for immediate consumption.

Special Steel from UK: Wheels India Limited of Madras has placed an order worth £170,000 with a British firm to supply rolled special steel for our motor industry.

New Grain Storage Technique: One of the latest grain storage techniques developed in Britain is the treatment of undried crops with propionic acid. This relatively cheap method enables grain to be preserved in good condition, either on the floor or in unsealed bins, at moisture contents of over 25 per cent. Special equipment for applying the acid is likely to cost less than £200.

Trade with Korea: Dr Woonsang Choi, Consul-General of the Republic of Korea in India, who spoke on the occasion of the inauguration at Calcutta of the first shipment of railway wagons to his country, referred to the phenomenal progress of the Korean economy and its growing trade. Korea, he said, had already reached the "take-off" stage with the completion of its first five-year plan. The second plan which was now in its second year would bring the country to the stage of self-sufficiency and with two more five-year plans it would be an affluent economy. Korean trade with India has also grown in recent years. During 1967, India exported to Korea: railway wagons, steel billets, molasses, rails, human hair, cashew-nut shell liquid, shellac, polythene, Indian resin, mica, switches, radio parts, palnyse fibre, shell liquid, buffalo horn tips, white goat hair, and coal tar dyes. In return, India received: urea fertilizer, tungsten concentrate, contraceptive items, silk worm eggs, raw silk, synthetic yarn fabric, graphite, nylon yarn fabric, fishing net material, agar agar, etc. Dr Choi said that with the completion of the one-million-ton consolidated steel plant, his country would be in a position to import from India two million tons of iron ore every year on a long-term basis. Investment climate in Korea has also attracted Indian industrialists and thus there are chances of Indo-Korean joint collaborations. Currently, initial inquiries in this regard are being made by Indian firms, such as Kesoram, Century Rayon and Karamchand Thapar.

Trade Pact with Rumania: An agreement between the governments of Rumania and India for economic and technical co-operation was signed on April 4, 1968 in New Delhi. The agreement provides for Rumanian assistance for oil refining, chemical and petrochemical plants, including fertilizer plant, and for such other purposes as may be mutually agreed upon between the two governments. Rumania will deliver equipment, machinery, spare parts and materials which are not available in India and will also give technical assistance. The equipment and machinery to be imported from Rumania will be supplied on a deferred payment basis and this will carry interest at 2.5 per cent per annum. A significant feature of the agreement is that Rumania will use all payments due in respect of Rumanian supplies and services for purchase from India of iron ore, steel products and other non-traditional items.

Trade with Hungary: India and Hungary have come to an agreement for reviewing their trade agreements from time to time by nominated representatives to ensure smooth flow of trade between the two countries. This follows discussions between the union Commerce Minister, Mr Dinesh Singh, and the visiting Hungarian Foreign Trade Minister, Mr Biro.

Cement for Ceylon: India and Ceylon signed an agreement in Colombo on April 2 for supply of 50,000 tons of Indian portland cement to Ceylon between March and June 1968. The agreement was signed by the State Trading Corporation for India and the Co-operative Wholesale Establishment for Ceylon.

US Loan for Indian Firm: An Indo-US collaboration air-conditioning firm, Pibco Ltd, has received a US loan of Rs 40 lakhs out of PL 480 rupee funds for the establishment of India's largest insulating materials plant at Durgapur. The "Rockwool" insulating material to be produced by the new plant is expected to save India foreign exchange expenditures totalling Rs 3 crores during the next five years. The factory will have an initial annual capacity of 6,500 tons, which is expected to be doubled by 1970.

World Coffee Agreement: A total of 53 countries, including India, have signed the new international coffee agreement which replaces the old one of 1962. The United Planters' Association of Southern India does not fully share the reported disappointment of the Government of India at the agreement which entitles our country to export 25,380 tonnes of coffee to quota countries. A withdrawal from the agreement, it believes, would place us at a greater disadvantage with quota countries, and any reduction there would not help us in the non-quota countries to which we export over 10,000 tonnes annually. Some of these non-quota countries may join the coffee organisation, in which case our prospects will be bleaker.

Despatch of Wagons to Korea Begins: The Deputy Prime Minister inaugurated last month end at Calcutta the despatch of railway wagons to the Republic of Korea. The first consignment of tank wagons has been shipped seven weeks ahead of schedule and the manufacturers, Braithwaite and Co. (India) Ltd, expect to complete the shipment of tank wagons by September. The $10 million order, which was won by the State Trading Corporation in global tenders, consists of 450 tank wagons and 600 hopper wagons. Braithwaites have associated themselves with a number of prestige projects in the country, and during the last 12 months have been able to secure export orders worth Rs 4 crores from Korea, Burma, Ceylon and Malaysia. In addition to railway wagons, Braithwaites manufacture structural steelwork for bridges and buildings, electrical overhead travelling cranes, tower cranes, hammerhead cranes, wharf cranes, railway breakdown cranes, road rollers, traversers, pressed steel storage tanks, hose handling rigs and general purpose iron castings and steel forgings.

Gobindpura Seed Farm: War against hunger is furiously on in our country. While the government's new agricultural strategy is much in the news, little is probably known of the many unobtrusive battles that are being waged all over the country by private interests. The 850-acre agricultural farm at Govindpura in Haryana is one such example. Here, by a happy coincident, ex-servicemen, under the command of Major Shamsher Singh, have taken upon themselves the task of feeding the nation after having been relieved of the responsibility of defending it. Set up in 1964 with a group of land owners deciding to do joint farming by pooling their resources, the farm now has the latest agricultural machinery to make it fully mechanized, 24 tubewells to assure year-round supply of water, uses all the modern inputs and is managed by qualified and trained staff. It is essentially a seed farm and is co-ordinating its programmes with the various government agencies in order to ensure highest standards in selection, cultivation and treatment of seeds. Apart from the healthy demonstration effect that the farm has created on the farmers around it, the farm has lately been encouraging them to use high-yielding varieties of seeds and making available on hire agricultural machinery and tendering them expert guidance. It is currently experimenting with multiple cropping.

Trade and Payments Agreement with Rumania: A long-term trade and payments agreement between India and Rumania for the period commencing April 4, 1968 and ending December 31, 1970 was signed in New Delhi last week. The main commodities to be imported into India under the agreement will include components and spares for various nation building projects, particularly in the fields of oil exploration and drilling, refineries and petrochemicals complexes. Rumania has also agreed to supply adequate quantities of lubricating oil, fertilisers and some other industrial raw materials, for which the country has to depend chiefly on imports.

India's export to Rumania will include, in addition to some traditional commodities like jute, tea, textiles and oil-cakes, substantial quantities of iron ore and bauxite for which export possibilities have been expanded in the recent past. Under this Agreement, the scope for exporting larger quantities of engineering goods and other non-traditional commodities has also been widened.

Another agreement, also signed last week, provides for Rumanian assistance for oil refining, chemical and petrochemical plants, including fertilizer plant, and for such other purposes as may be mutually agreed upon between the two governments. Rumania will deliver equipment, machinery, spare parts and materials which are not available in India and will also give technical assistance.

Eastern Economist 20 Years Ago

APRIL 9, 1948

The long-awaited statement of the Government's policy has been made available at last in the form of a resolution passed by the Dominion Parliament. Embodying a compromise solution, probably the best under the circumstances, it aims at enlisting the widest possible measure of co-operation in the supreme task of stimulating investment and increasing production. Like all compromise solutions it does certainly possess the merit of conforming closely to the requirements of a complicated situation. But its chief gain is that it clears the confusion produced by a spate of mutually contradictory observations, and statements. Concretely, it places industries in five categories. Manufacture of arms and ammunition, production and control of atomic energy and the ownership and management of railway transport will be exclusive monopolies of the State; to these may be added any industry vital for national defence, the river valley multi-purpose projects and the manufacture of fertilisers, essential drugs and synthetic oil from coal. In the second category of industries, of the nature of basic or key industries, like coal, iron and steel etc., the State will be responsible for all new undertakings. The existing units will be allowed to continue for a period of ten years, at the end of which the position will be reviewed and the units may be taken over on payment of fair compensation. The third category consisting of a large number of industries like salt, automobiles, cement, sugar etc., will be subjected to central regulation and control which will be operated in consultation with the representatives of the provincial and State governments, industry and labour. The residual industries falling outside these categories are not specifically mentioned but probably in these, governmental regulation will be the minimum. Cottage industries fall into another and a distinct category and the Government undertake to examine how far and in what manner they can be co-ordinated and integrated with large-scale industries.

Company Affairs

COROMANDEL FERTILISERS

THE GIANT fertiliser complex of Coromandel Fertilisers Ltd has been completed and all the units are now functioning smoothly and efficiently. Although the production of urea commenced in December and that of complex fertilisers of the grade 28 : 28 : 0 in early February, the plants are operating so well that at present they have even exceeded the designed capacity. Sales and despatches too are progressing as anticipated and are being effected through the EID-Parry sales organisation. As the cultivators in Andhra Pradesh have obtained outstanding results with the use of Coromandel Gromor ammonium phosphate, the product has become immensely popular with its users. These observations are contained in the annual statement of Mr Bharat Ram, the Chairman of Coromandel Fertilisers Ltd.

Another bright spot in the company's working is the high and fine quality of its personnel. As the performance of the technical personnel has far exceeded expectations, the foreign experts working with the company may be released much ahead of schedule.

During the year the capital structure of the company was strengthened with a fresh issue of capital of Rs 5 crores. Existing shareholders subscribed to Rs 1.09 crores from an equity rights issue and Rs 3.91 crores was extended by way of loan by the US Agency for International Development. As a result, the capital assets of the company now stand at Rs 49 crores, making it one of the largest enterprises in the private sector. Additional financing was necessitated by increased costs of procurement and construction caused largely by devaluation of the rupee and increased levies on imported machinery and equipment.

STATE BANK OF INDIA

The performance of a bank has to be assessed not only in terms of the traditional criteria of deposits mobilised and advances granted but also in the light of the public purposes for which the bank has been constituted. Judged by all these standards the performance of the State Bank of India during 1967 was indeed creditable. The bank's deposits in India during the year rose by as much as Rs 70.6 crores or by nine per cent to reach a new high of Rs 887.4 crores. Of the total increase in deposits of all scheduled commercial banks, the bank accounted for 21 per cent. Time deposits increased by 12 per cent to Rs 413.1 crores while demand deposits went up by six per cent to Rs 474.3 crores. During 1966, time and demand deposits had risen by 27 per cent and 15 per cent respectively. In mobilisation of deposits, new branches opened by the bank since its inception under and outside the various branch expansion programmes are now making sizable contribution. As on June 30, 1967, deposits of new branches accounted for 28 per cent of the bank's total deposits. Most of these deposits are from relatively small account-holders.

Selectivity continued to be keynote of the bank's lending operations. The bank's advances rose by 11 per cent as against 10 per cent in the case of all scheduled commercial banks. Over the year, the bank's advances increased by Rs 56.5 crores to Rs 588.8 crores as compared with the rise of Rs 57.9 crores to Rs 532.3 crores in the previous year. During 1967 industrial advances rose by Rs 66.1 crores or 16 per cent while advances to trade and commerce declined by Rs 1.7 crores or three per cent. Indeed the bank diverted as much as 82 per cent of the credit expansion in the busy season to the financing of industries and export-import bills as against 80 per cent stipulated by the Reserve Bank of India.

The total finance provided by the bank to the rural sector now stands at Rs 127.5 crores and covers such diverse purposes as agricultural production, production of inputs for agricultural and marketing, processing, distribution and warehousing of agricultural produce as also dairy farming, horticulture and poultry farming.

During the year efforts were made to enlarge further the role of the bank in the direct financing of agricultural development and production. Apart from provision of credit needed for production and distribution of agricultural machinery and implements, fertilisers and pesticides, the bank has also now decided on financial participation in the implementation of schemes for co-ordinated agricultural development of large tracts of land in Varanasi and Etah districts in Uttar Pradesh and in the Terai region.

Credits made available by the bank to small-scale industrial sector increased during the year by 26 per cent to Rs 89.7 crores. At the end of 1967, limits sanctioned under the bank's liberalised scheme aggregated to Rs 86.0 crores while those sanctioned under the bank's normal rules to conventional industries such as cotton ginning and pressing, rice milling and oil milling, totalled Rs 2.0 crores. Apart from this, indirect finance through the specialised financing agencies amounted to Rs 1.7 crores.

Finance was provided on a large scale under the liberalised scheme to the small-scale sector. The number of small units availing of credit facilities went up by about 3,000 to 13,000 while the limits sanctioned rose from Rs 67.9 crores to Rs 86.0 crores. The aggregate outstandings stood at Rs 49.7 crores at the end of 1967.

The bank's network of offices was further widened by 80 offices to 1468. Of the offices in India, about 56 per cent were situated in rural and semi-urban areas as compared with 55 per cent at the end of 1966.

MADRAS RUBBER

Mr K. M. Cherian, the Chairman of Madras Rubber Factory Ltd, has devoted a good deal of his annual address to the shareholders in pinpointing the snags in the policy followed by the government in granting licences to tyre units and has suggested a number of measures to overcome them. True, there has been a shortage of tyres during the past few months. But this was largely due to the stoppage of production in one of the major units which has been meeting 21 per cent of the country's requirements. As it is, the total capacity is unevenly distributed among the seven units. Two companies are holding a near-monopoly position and they account for as much as 57 per cent of the total capacity in the country. It is, therefore, natural that whenever there is a setback in production in any one of these two major companies an acute shortage of tyres is felt in the markets. Such temporary shortages can be prevented if the smaller units are brought on par with the established companies.

There is now a gap of 12 lakh tyres between the present licensed capacity of 38 lakh tyres and the government's revised estimated capacity of 50 lakh tyres at the end of 1970-71. The chairman has urged the government to distribute the additional capacity of 12 lakh tyres equitably among the smaller units. Such a policy will have several basic advantages. Firstly, in the case of temporary suspension of production in any of the giant units, the markets will not have to bear the unnecessary shocks of crippling shortages. Besides, possibilities of repetition of such a situation can also be minimised if the licensed capacity of all the units is evenly distributed. Secondly, it will enable the new units to withstand established units in the internal market as well and will lead to a healthy competition among all the tyre units. Thirdly, it will also help in the matter of export of tyres. It is a known fact that tyres are to be exported at a much lower price than the prevailing prices in the local market, which means that tyres have to be exported at a loss. In this respect, the larger manufacturers have an edge over the smaller units because of their low cost of production on account of large scale economies in the levels of operation. Moreover losses can be sustained by big units whereas it will be a crushing burden to small units because of their limited capacity for production. In the circumstances a fair distribution of capacity will create a healthy competition among all the units in the export field besides giving a boost to small manufacturers to enter the export market in a big way. When this is done, losses on exports will be borne equally by all. Fourthly, the question of according protection by preferential treatment to smaller units will not arise once they are brought on an equal level with the bigger units. Moreover, as tyres are strategic products, it will be in the interest of the nation to distribute the capacity equally among all the existing units rather than concentrate it in the hands of one or two foreign-owned manufacturers as is the case at present.

On its part, Madras Rubber Factory is trying to carve out a significant place in the tyre map of India. Production has already reached the full licensed capacity of 1,200 tyres and tubes per day. Its production range covers all types of tyres suitable for all types of vehicles such as scooter, motor-cycle, tractor, van, jeep, car, truck and bus. Moreover it is supplying regularly 20 per cent of its production to automobile manufacturers as original equipment which is the target fixed by the government for companies of the size such as Madras Rubber. Its performance in the export field also is quite satisfactory. As these are exactly the conditions stipulated by the government for licensing further expansion, the company is now eligible for undertaking additional expansion on an ambitious scale. The directors have already taken a decision to double the capacity. Finances for the expansion will be provided mostly from internal resources and partly by long-term loans from financial institutions.

Commendable progress has also been made by the company in the field of exports. It has secured recently an order of about Rs 57 lakhs for supplying tyres to the UAR. This is the largest single export order to be obtained by any tyre company in the country so far. Shipments are expected to start early next month and the entire order is likely to be executed by the end of the year. This will be in addition to the special custom-made tyres exported to the US for fitment on expensive cars which are used in show-races. Mansfield tyres manufactured by the company are now being exported to countries in east Europe, Africa, west Asia and east Asia. The tyres exported by the company at present are of the sizes which are not used in India. Besides the company has the rare privilege and unique distinction of being the first in India to supply tyres and tyre retreading materials to foreign countries.

GOODYEAR INDIA

New records in sales and profits were set up by Goodyear India Ltd during the year ended December 31, 1967. Sales rose to an all-time high of Rs 22.39 crores from Rs 17.93 crores while the pre-tax profit stood as high as Rs 165.32 lakhs as against Rs 98.85 lakhs in 1966. The directors have, however, decided to maintain the equity dividend at 15 per cent which will absorb Rs 38.08 lakhs.

The provision for depreciation was enhanced by Rs 12.66 lakhs to Rs 58.76 lakhs while the appropriation to taxation reserve was stepped up by Rs 68.70 lakhs to Rs 71.45 lakhs. The allotment to development rebate reserve was reduced to Rs 5 lakhs from Rs 63.67 lakhs. A sum of Rs 50.8 lakhs was transferred to general reserve.

The steep increase in production at the Ballabgarh factory, and the decline in crude rubber prices from the high levels reached in 1966 have contributed to a great extent to the marked improvement in the sales of the company during 1967. The results would have been much more encouraging but for the slow-down tactics adopted by the labour which affected production during a part of the year. The company is, however, looking forward to higher sales and profits during the current year.

With a view to capturing a greater share in the expanding market for rubber products, the company is taking steps to reach the full licensed capacity. It has applied for a licence for importing additional machinery and equipment to balance production facilities. This machinery, when installed, will enable the company to increase its output of car and tractor tyres. A bicycle tyre plant is also proposed to be installed.

DUNLOP INDIA

Despite difficult economic conditions prevailing throughout last year, Dunlop India Ltd was able to achieve a turnover of Rs 65.26 crores, recording an increase of as much as Rs 6.88 crores over 1966. The steep rise in the volume of sales coupled with the intensive drive on cost reductions enabled the company to earn a higher profit before tax of Rs 5.15 crores as compared with Rs 4.04 crores in the preceding year. Taxation reserve was earmarked Rs 2.59 crores as against Rs 1.88 crores in the previous year while the appropriation to development rebate reserve was reduced by Rs 6.90 lakhs to Rs 15.10 lakhs. This leaves a surplus of Rs 2.41 crores as compared with Rs 1.94 crores in 1966. The directors have maintained the equity dividend at 17.5 per cent. It will absorb Rs 1.75 crores, while the preference dividend will claim Rs 4.6 lakhs. A sum of Rs 61.67 lakhs has been transferred to general reserve.

During 1967 the company exported goods worth Rs 2.27 crores which was 65 per cent higher than in the previous year. About 72 per cent of the exports was directed to highly competitive hard currency areas. It is gratifying to note that the company has been able to establish a foothold in the USA for cycle tyres.

To finance its expansion schemes the company raised Rs 2.5 crores by way of debentures redeemable during 1977-82. The main industrial licences involved in these expansion plans are for 135,600 automotive covers and 124,800 automotive tubes and the implementation of these schemes has been taken in hand. Industrial licences are also being processed for enabling the manufacture of metalastik rubber to metal bonded components for anti-vibration application for heliflex hose which will be particularly useful for agricultural purposes and for hydraulic brake hoses for automobiles.

TRAVANCORE RAYONS

The Rs 2-crore expansion programme of Travancore Rayons Ltd is progressing satisfactorily and it is expected to be completed by the middle of 1969. Under this scheme, another cellulose plant will be erected besides increasing the moisture proofing capacity. The output of the cotton linter pulp will also be doubled. A significant feature of the expansion scheme is that the entire design and technical know-how will be provided by the company's own technical personnel. With the implementation of this scheme the company will be self-sufficient in its requirements of pulp. Besides there will be a saving in foreign exchange to the tune of Rs 1.30 crores by the elimination of imports.

Despite difficult labour conditions and the full impact

of devaluation on production costs, the company's sales touched a new peak of Rs 6.8 crores in 1967, registering a marked improvement of Rs 1.9 crores over the preceding year. The profit before providing for taxation and depreciation amounted to Rs 114.13 lakhs as against Rs 117.59 lakhs in 1966. It is pointed out that the earnings would have been higher if it was not necessary to purchase raw materials under the Defence Remittance Scheme. In addition, there was a steep rise in the wage bill.

The directors have allocated a sum of Rs 32.14 lakhs for depreciation as compared with Rs 37.13 lakhs in the previous year while the transfer to gratuity fund was reduced by Rs 3.50 lakhs to Rs 5.50 lakhs. The amount set apart to reserves was raised by Rs 4.98 lakhs to Rs 23.99 lakhs while taxation absorbed Rs 50.60 lakhs as against Rs 52.60 lakhs a year ago. A sum of Rs 1.90 lakhs was provided for development rebate reserve as against no allotment in the previous year. The directors have recommended a higher equity dividend of 15 per cent as against 12.5 per cent paid in 1966. The proposed dividend will be paid out of the general reserve.

UNION BANK OF INDIA

Union Bank of India has made commendable progress during the year ended December 31, 1967, with deposits, advances and profits recording significant improvements over the preceding year. Deposits for the first time crossed the Rs 100-crore mark and stood at Rs 100.09 crores, registering a handsome rise of Rs 7 crores over 1966. Advances rose to Rs 64.47 crores and it exceeded the previous year's figure by as much as Rs 5.65 crores. The net profit, after providing for taxation and including the sum of Rs 1.19 lakhs brought forward from the last year's accounts, amounted to Rs 37.48 lakhs as compared with Rs 34.94 lakhs in 1966. Out of this, a sum of Rs 13.50 lakhs was set apart for payments of bonus to staff as against Rs 10.15 lakhs provided in the previous year while the appropriation to reserve fund was maintained at Rs 8 lakhs. This leaves a surplus of Rs 15.97 lakhs. The directors have recommended a dividend of 12 per cent, the same as in 1966, which will absorb Rs 15.00 lakhs. The balance of Rs 97,500 was carried forward to next year's accounts. With the opening of 19 new branches, the bank had at the end of 1967, a vast network of 173 offices functioning all over the country.

UNION CARBIDE

The products of Union Carbide of India Ltd continued to be in great demand throughout 1967. Sales during the year went up by about 19 per cent to Rs 26.65 crores but the gross profit was marginally higher at Rs 372.8 lakhs as compared with Rs 371.6 lakhs in 1966. The directors have recommended an equity dividend of 15 per cent for 1967, the same as in the previous year.

The directors have enhanced the provision for depreciation by Rs 91.5 lakhs to Rs 161.3 lakhs while the allocation to development rebate reserve was reduced by Rs 136.0 lakhs to Rs 76.0 lakhs. Taxation claimed Rs 44.0 lakhs as compared with Rs 13.5 lakhs a year ago. The allocation to sinking fund was maintained at Rs 3 lakhs while a sum of Rs 27.1 lakhs was transferred to general reserve as against Rs 20.6 lakhs a year earlier. The proposed dividend will absorb Rs 61.43 lakhs.

A pilot plant for the formulation of pesticides was commissioned during the year. Another significant development during the year under review was the complete substitution of indigenous materials for imported ones at the carbon products factory in Calcutta which is now virtually independent of imports.

During 1967 the company marketed a new type of flashlight which was well received by the markets. A new battery plant was commissioned at Hyderabad while the flashlight facilities at Lucknow are being expanded. A new plant for the manufacture of electrolytic manganese dioxide and the expansion of midget electrode capacity have been taken in hand. When completed, these new facilities will further reduce its dependence on imported raw materials required in the manufacture of dry batteries. Further proposals for the manufacture of agricultural chemicals and a further expansion of chemicals and plastics facilities are currently under negotiations with the government.

The company has submitted a proposal to the government for undertaking deep sea fishing. In taking a decision to engage itself in this business, the company has been influenced by studies which show that a good foreign market exists for certain kinds of Indian sea foods. Besides the company proposes to undertake the manufacture of stellite and hastelloy alloy castings which are largely used by the mining and chemical industries. The government has already issued a letter of intent to the company for this purpose.

CAPITAL AND BONUS ISSUES

Consent has been accorded to seven companies to raise capital amounting to more than Rs 97.78 lakhs. Four of them are to issue bonus shares exceeding Rs 14 lakhs. The amount of bonus shares ranges between Rs 1.20 lakhs and Rs 10 lakhs. The consents are valid for 12 months. Following are the details :

Gedore Tools (India) Private Ltd, Delhi, has been accorded consent to capitalise Rs 10 lakhs out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for four equity shares held.

Vindhya Collieries Private Ltd, Calcutta, is permitted to capitalise Rs 1.50 lakhs out of its general reserve and issue fully-paid equity shares of Rs 500 each as bonus shares in the ratio of three for twenty equity shares held.

The Oriental Metal Pressing Works (Private) Ltd, Bombay, is allowed to capitalise Rs 1,40,700 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for four held.

Refrigeration Accessories Ltd, Calcutta, has been given consent to capitalise Rs 1.20 lakhs out of its general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for five held.

The National Ekco Radio & Engineering Co, Ltd, Bombay, has been granted consent to capitalise Rs 31,66,600 in 31,666 equity shares of Rs 100 each, to be allotted to the shareholders of General Radio & Appliances Ltd, in the proportion of one share for every 12 shares of Rs 10 each (fully paid-up) of the latter company, as per the scheme of amalgamation.

Nuchem Plastics Ltd, Faridabad, has been given permission to capitalise Rs 30.01 lakhs, of which Rs 17,26,000 will be in equity shares of Rs 10 each and Rs 12,75,000 in 9.5 per cent cumulative redeemable preference shares of Rs 10 each for cash at par. The proceeds would be utilized for the manufacture of Formaldehyde (chemical).

Anil Hardboards Ltd, Bombay, has been granted 'no objection' to capitalise Rs 22 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs 100 each, for cash at par, for providing working capital for the mineral wool and melamine project and also for redeeming existing preference shares.

State Bank of India Balance Sheet

CAPITAL AND LIABILITIES

As at 31st December 1966 Rs. p.	Rs. p.	CAPITAL AND LIABILITIES	As at 31st December 1967 Rs. p.	Rs. p.
		1. **Capital:**		
	20,00,00,000.00	Authorised Capital—20,00,000 shares of Rs. 100 each ...	20,00,00,000.00	
5,62,50,000.00		Issued, Subscribed and Paid-up Capital—(pursuant to Section 5 (1) of the State Bank of India Act, 1955)—5,62,500 shares of Rs. 100 each		5,62,50,000.00
11,32,00,000.00		2. **Reserve Fund and Other Reserves**		12,22,00,000.00
2.96.75.126.41		2A. ‡**Integration and Development Fund** (maintained under Section 36 of the State Bank of India Act, 1955) ...		1,23,18,815.41
		3. **Deposits and Other Accounts:**		
	358,66.75,498.09	Fixed Deposits	398,22,29,714.22	
	120,94,35,835.79	Savings Bank Deposits	139,60,28,141.36	
875,97,61,172.70	396,36,49,833.82	†Current Accounts, Contingency Accounts, etc.	421,09,75,285.17	958,92,33,140.75
		4. **Borrowings from Other Banking Companies, Agents, etc.:**		
	4,28,30,000.00	§ (i) In India	6,36,50,600.00	
5,38,41,576.00	1,10,11,576.00	(ii) Outside India	1,01,00,000.00	7,37,50,600.00
		§ Includes an amount of Rs. 6,36,50,600 borrowed from the Industrial Development Bank of India as per contra		
		Particulars:		
	5,29,30,000.00	(i) Secured by Investments and other securities assigned for refinance, per contra	7,37,50,600.00	
	9,11,576.00	(ii) Unsecured	...	
	5,38,41,576.00		7,37,50,600.00	
12,19,86,044.47		5. **Bills Payable**		4,09,28,137.06
		6. **Bills for Collection being Bills Receivable** as per contra:		
	11,40,40,730.09	(i) Payable in India	7,74,24,434.57	
11,87,86,584.11	47,45,845.02	(ii) Payable outside India	84,34,574.79	8,58,59,009.36
		7. **Other Liabilities:**		
	73,12,500.00	*Final Dividend for the year	73,12,500.00	
	92,224.66	Unclaimed Dividends	89,919.34	
22,41,35,214.27	21,67,30,489.61	Inter-Office Adjustments	44.66,33,458.15	45,40,35,877.49
32,50,96,818.83		8. **Acceptances, Endorsements and Other Obligations** per contra		24,36,41,984.77
		9. **Profit and Loss:**		
	4,93,302.03	Balance brought forward from last year	5,49,072.52	
	3,79,33,970.49	Profit for the year	4.43,00,915.46	
	3,84,27,272.72		4,48,49,987.98	
	1,29,37,500.00	Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000 and Final Dividend Rs. 73,12,500)	1,29,37,500.00	
	76,00,000.00	Amount transferred to Reserve Fund	90,00,000.00	
	11,40,700.00	Amount transferred to Pension Funds	8,63,000.00	
	1,42,00,000.00	Bonus to Staff	1,90,00,000.00	
	15,00,000.00	Amount transferred to Staff Welfare Fund	18,50,000.00	
5,49,072.52	5,00,000.00	Amount transferred to Staff Co-operative Housing Fund	6.50,000.00	5,49,487.98
980,32,81,609.31		Carried forward ...		1067,87,67,052.82

‡ In addition to the credit of Rs. 40,21,875 pertaining to the final dividend for 1966, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1967. A sum of Rs. 1,51,23,197 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of losses for the year 1966 of the new branches established under Section 16(5) of the State Bank of India Act, vide item 7(a) of the Profit and Loss Account. A further sum of Rs. 93,48,739 was appropriated from the Fund, with the approval of the Reserve Bank, in respect of the subsidies granted to the Subsidiary Banks towards losses of their new branches, in terms of Section 36(2) (aa) of the State Bank of India Act read with Section 48(1) (b) of the State Bank of India (Subsidiary Banks) Act.

† Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership whereof vests in the Bank.

* Of which Rs. 40,21,875 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 1,63,40,690.41.

as at 31st December 1967

PROPERTY AND ASSETS

As at 31st December 1966 Rs. p.	Rs. p.	PROPERTY AND ASSETS	As at 31st December 1967 Rs. p.	Rs. p.
63,17,46,906.11		1. **Cash:** In hand and with Reserve Bank (including foreign currency notes)		82,25,61,747.41
		2. **Balances with other Banks:** On current account / On deposit		
	29,629.58	(i) In India Rs. 26,010.58 Rs. ...	26,010.58	
3,43,25,893.83	3,42,96,264.25	†(ii) Outside India Rs. 7,80,10,927.36 Rs. 61,17,466.00	8,41,28,393.36	8,41,54,403.94
		† Including Rs. 1,64,971.57 held abroad under special arrangement		
9,87,00,000.00		3. **Money at Call and Short Notice**		1,80,00,000.00
		4. @‡ **Investments** (securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost:		
	251,73,44,509.58	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments ...	265,98,73,272.25	
		(ii) Shares authorised under the State Bank of India Act, 1955		
		Fully paid-up Rs. 2,22,74,029.87		
	2,10,77,604.87	Partly paid-up Rs. 1,16,763.00	2.23,90,792.87	
	31,19,17,490.41	(iii) Debentures or Bonds	37,08,49,713.86	
		(iv) Other Investments:		
		(a) Pakistan and other Government Securities, etc. Rs. 4,94,13,335.64		
291,82,48,691.45	6,79,09,086.59	(b) Sundry Investments Rs. 50,00,000.00	5,44,13,335.64	310,75,27,114.62
		‡Of which investments of the face value of Pakistan Rs. 1,01,00,000 are pledged against borrowings from other Banking Companies, Agents, etc., as per contra.		
		5. **Advances:**		
		§(I) Loans, Cash Credits, Overdrafts, etc.—		
		(i) In India Rs. 554,63,17,929.64		
	501,80,06,251.47	(ii) Outside India Rs. 5,44,21,419.89	560,07,39,349.53	
		§Include term advances amounting to Rs. 26,94,15,830.70 of which refinance has been obtained from the Industrial Development Bank of India to the extent of Rs. 6,36,50,600 as per contra.		
		¶(II) Bills Discounted and Purchased—		
		(i) Payable in India Rs. 19,58,59,538.14		
540,68,32,060.96	33,88,25,809.49	(ii) Payable outside India Rs 15,84,10,709.87	35,42,70,248.01	595,50,09,597.54
		¶Of which Bills of the value of India Rs. Nil are held by the Reserve Bank of India as security against borrowings		
		Particulars of **Advances:** See separate statement appended		
		6. **Bills Receivable being Bills for Collection** as per contra:		
	11,40,40,739.09	(i) Payable in India	7,74,24,434.57	
11,87,86,584.11	47,45,845.02	(ii) Payable outside India	84,34,574.79	8,58,59,009.36
32,50,96,816.83		7. **Constituents' Liabilities for Acceptances, Endorsements and Other Obligations** per contra		24,36,41,984.77
		8. **Premises less Depreciation:**		
	3,77,63,128.73	Total Cost up to the 31st December 1966	5,30,85,003.50	
	1,53,21,874.77	Additions (Rs. 1,11,03,569.43) less Deductions (Rs. 11,757.50) during the year	1,10,91,811.93	
	5,30,85,003.50		6.41,76,815.43	
953,37,36,955.29		Carried forward ...		1031,67,53,857.64

@ Includes Rs. 1,77,002 of investments, acquired consequent upon the amalgamation of the Bank of Baghelkhand under a scheme sanctioned by the Government of India, in terms of Section 35 of the State Bank of India Act, which are still to be transferred to the Bank, pending completion of formalities.

State Bank of India Balance Sheet

As at 31st December 1966 Rs. p.	Rs. p.	CAPITAL AND LIABILITIES—Contd.	Rs. p.	As at 31st December 1967 Rs. p.
980,32,81,609.31		Brought forward ...		1067.87.67.052.82
		10. **Contingent Liabilities:**		
	Rs. 1,03,32,133.64	Claims against the Bank not acknowledged as debts ..	Rs. 88,51,503.91	
	Rs. ...	Bills of Exchange rediscounted ...	Rs. ...	
	Rs. 194,73,90,042.00	Outstanding Forward Exchange contracts	Rs. 155.40,83,616.41	
	Rs. 71,450.00	On partly paid-up shares ...	Rs. 71,450.00	
	Rs. 1,20,305.00	Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank ...	Rs. 4.22,599.62	
	Rs. 273,68,65,579.02	Guarantees given on behalf of others	Rs. 378,47,59,332.91	
	Rs. 8,916.18	Other moneys for which the Bank is contingently liable ..	Rs. 8,916.18	
980,32,81,609.31		**TOTAL** ...		1067,87,67,052.82

Particulars of Advances

As at 31st December 1966 Rs. p.		As at 31st December 1967 Rs p.
464,91,51,288 66	(i) Debts considered good in respect of which the Bank is fully secured ...	526.18.55,736 51
12,24,77,147 73	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	14.05.38,263 94
63,52.03,624 57	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	55.26.15,596 79
...	(iv) Debts considered doubtful or bad, not provided for	...
540,68,32,060 96		595,50,09,597 54
34,01,742 43	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	41,17,044 41
129,22,09,795 43	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	100,86,34,269 79
43,32,947 34	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons ...	44,25,210 10
149,56,67,217 37	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	144,71,85,075 32
17,86,87,113 29	(ix) Due from banking companies	8,10,30,396 84

as at 31st December 1967

As at 31st December 1966 Rs. p.	Rs. p.	PROPERTY AND ASSETS—Contd.	Rs. p.	As at 31st December 1967 Rs. p.
953,37,36,955.29	5,30,85,003.50	Brought forward ...	6,41,76,815.43	1031,67,53,857.64
4,81,86,586.60	48,98,416.90	Depreciation written off up to the 31st December 1967 less depreciation previously provided on property which has passed out of the Bank's possession ...	60,63,862.31	5,81,12,953.12
		9. **Furniture and Fixtures less Depreciation:**		
	4,34,50,216.44	Total Cost up to the 31st December 1966	5,38,60,444.81	
	1,04,10,228.37	Additions (Rs. 1,97,67,657.28) less Deductions (Rs. 1,11.590.39) during the year	1,96,56,066.89	
	5,38,60,444.81		7.35,16,511.70	
3,51,48,597.25	1,87,11,847.56	Depreciation written off up to the 31st December 1967 less depreciation previously provided on property which has passed out of the Bank's possession ...	2,31,25,126.34	5,03,91,385.36
		10. **Other Assets, including Gold and Silver:**		
	...	Bullion	...	
	4,48,21,599.72	Adjusting Account of interest, commission, etc. ...	6,42,87,534.66	
	7,29,73,090.34	Stationery, Stamps, Suspense, Tax Recoverable, etc. ...	12,08,09,793.33	
18,62,09,470.17	6,84,14,780.11	Shares in Subsidiaries	6,84,11,528.71	25,35,08,856.70
...		11. **Non-banking Assets Acquired in Satisfaction of Claims** ...		...
...		12. **Profit and Loss**		...
980,32,81,609.31		**TOTAL** ...		1067,87,67,052.82

NOTE—(a) Consequent upon nationalisation of banks in Burma, the assets and liabilities of the Bank's Branch at Rangoon were taken over on 23-2-1963 by the Peoples' Bank No. 8. Against the compensation determined by the Burmese authorities, a revision petition has been filed, a decision whereon is awaited and no adjustment has been made in the accounts.

(b) In so far as the Bank's Pakistan Branches are concerned, the last available figures of assets and liabilities, viz., as of 27-8-1965, have been incorporated at pre-devaluation parity. On or about the 6th September, 1965, these branches were taken over by a custodian appointed by the Pakistan Government, since when no statements have been forthcoming and it has not been possible to compute the profit and loss account in respect of these branches.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1967

Year ended 31-12-1966 Rs. p.	EXPENDITURE	Year ended 31-12-1967 Rs. p.
24,73,83,851 91	1. Interest on Deposits, Borrowings, etc.	27,24,37,461 82
20,39,40,906 79	2. Salaries and Allowances and Provident Fund	27,46,60,867 95
1,15,260 00	3. Directors' and Local Board Members' Fees and Allowances	1,19,090 00
1,58,76,328 06	4. Rent, Taxes, Insurance, Lighting, etc.	1,91,47,348 34
4,46,996 63	5. Law Charges	4,01,421 50
67,88,413 39	6. Postage, Telegrams and Stamps	74,03,951 15
1,25,000 00	7. Auditors' Fees	1,25,000 00
58,15,220 96	8. Depreciation on and Repairs to the Bank's Property	71,90,567 44
1,07,65,458 46	9. Stationery, Printing, Advertisement, etc.	1,11,67,528 49
...	10. Loss from Sale of or Dealing with Non-banking Assets.	...
1,74,93,767 25	11. Other Expenditure	2,29,03,237 89
3,79,33,970 49	12. Balance of Profit	4,43,00,915 46
54,66,85,173 94	Total	65,98,57,390 04

Year ended 31-12-1966 Rs. p.	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended 31-12-1967 Rs. p.
42,56,21,906 01	1. Interest and Discount	50,04,94,394 71
10,98,64,125 78	2. Commission, Exchange and Brokerage	14,21,04,179 07
4,36,341 03	3. Rents	3,85,993 34
...	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets	...
...	5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets	...
...	6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets	...
	7. Other Receipts: (a) Recoveries from the Integration and Development Fund for the year 1966 Rs. 151,23,197.00 (b) Dividends on Shares in Subsidiaries received during the year 1967 Rs. 17,49,625.92	
1,07,62,801 12		1,68,72,822 92
...	8. Loss	...
54,66,85,173 94	Total	65,98,57,390 04

PARTICULARS OF REMUNERATION RELATING TO THE CHAIRMAN AND MANAGING DIRECTORS

	Salaries	Allowances	Sitting fees	Bonus	Employer's contributions to provident fund, pension fund or any other super-annuation fund	Payments by way of gratuities, pensions or otherwise, in excess of the employer's contributions and interest thereon	The monetary value of any other benefits or pe.qu:sites
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
	Rs. p.	Rs p.	Rs. p.	Rs. p.	Rs. p.	Rs. p.	Rs. p.
Chairman	42,163 20	900 00	...	...	2,108 16	...	5.270 40
Managing Directors	90,000 00	...	...	...	7,312 50	..	10,781 25

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA.

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1967.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretaries and Treasurers of the Local Head Offices at Madras, New Delhi, Kanpur, Ahmedabad and Hyderabad, and by the Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, as far as Pakistan Branches are concerned, the last available figures of assets and liabilities viz., as of the 27th August 1965 from the Manager, Pakistan Branches have been incorporated at pre-devaluation parity without compilation of the Profit and Loss Account; (ii) that, subject to these remarks, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and fair view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (iii) that, where we have called for any explanation or information, such explanation and information have been given to us and have been satisfactory; (iv) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (v) that the Returns received from the Local Head Offices at Madras, New Delhi, Kanpur, Ahmedabad and Hyderabad and from the Branches of the Bank have been found adequate for the purpose of our audit; (vi) that, subject to the foregoing remarks applicable to Pakistan Branches, the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vii) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with law; and (viii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray & Ray.

21st February, 1968.

S. B. BILLIMORIA & CO.)
RAY & RAY) **Auditors**

B. D. GARWARE)
J. D. CHOKSI)
A. R. BHAT)
P. N. DAMRY)
D. P. GOENKA) Directors
S. N. SEN)
ROHIT C. MEHTA)
ARVIND NAROTTAM)
A. SRINIVASACHARI)

V. T. DEHEJIA, **Chairman.**
KANTILAL T. DESAI, **Vice-Chairman.**
N. RAMANAND RAO)
R. K. TALWAR) **Managing Directors.**

SUPPLEMENTARY INFORMATION IN RESPECT OF ITEM (VI) OF PARTICULARS OF ADVANCES

Analysis of Debts Due by Companies or Firms in which the Directors/Local Board Members of the Bank are Interested as Directors, Partners or Managing Agents or, in the case of Private Companies, as Members.

Debts due by:—

Public Companies

In which Directors/Local Board Members of the Bank are interested—

(a) as directors only (holding no shares)		Rs. 18,33,49,716.69
(b) as directors and members		
(i) holding not more than 2 per cent of the paid-up share capital	Rs. 72,60,33,779.34	
(ii) holding more than 2 per cent of the paid-up share capital	Rs. 9,34,09,958.10	Rs. 81,94,43,737.44
(c) (i) as managing agents personally	Rs. ...	
(ii) as partners in managing agency firms	Rs. 9,00,18,281.99	
(iii) as directors/members of managing agents	Rs. 15,03,31,905.48	
	Rs. 24,03,50,187.47*	

* Included in item (a), (b) (i) or (ii) as the case may be

Private Companies

In which Directors/Local Board Members of the Bank are interested—

(a) as directors only (holding no shares)		
(b) as directors and members		
(i) holding not more than 2 per cent of the paid-up share capital		
(ii) holding more than 2 per cent of the paid-up share capital	Rs. 24,92,152.99	Rs. 24,92,152.99
(c) as members only		
(i) holding not more than 2 per cent of the paid-up share capital	Rs. ...	
(ii) holding more than 2 per cent of the paid-up share capital	Rs. 9,18,593.74	Rs. 9,18,593.74
(d) (i) as managing agents personally	Rs. ...	
(ii) as partners in managing agency firms	Rs. ...	
(iii) as directors/members of managing agents	Rs. ...	

Firms

In which the Directors/Local Board Members of the Bank are interested as partners		Rs. 24,30,068.93
		Rs. 100,86,34,269.79@

@ Includes Rs. 20,24,55,320.44 to companies in which the Bank's Directors/Local Board Members are directors as nominees of Government/Government controlled Corporations.

The above analysis is compiled from the records of the Bank, on the basis of certificates furnished by each Director and Local Board Member of the Bank.

S. B. BILLIMORIA & CO. RAY & RAY
Auditors. **Auditors.**

21st February, 1968

APPROPRIATION OF PROFITS

The Directors report that, the usual and necessary provisions having been made, the net profit of the Bank for the year ended the 31st December 1967 amounted to Rs. 4,43,00,915.46 which, with Rs. 5,49,072.52 brought forward from last year, makes a total of Rs. 4,48,49,987.98.

1966 Rs. p.		1967 Rs. p.
	This sum, the Directors of the Bank have disposed of as follows:	
1,29,37,500 00*	Dividend to the Shareholders at the rate of Rs. 23 per share* (made up of Interim Dividend at the rate of Rs. 10 per share Rs. 56,25,000 and Final Dividend at the rate of Rs. 13 per share Rs. 73,12,500) ...	1,29,37,500 00
76,00,000 00	Transferred to Reserve Fund ...	90,00,000 00
11,40,700 00	Transfered to Pension Funds ...	8,63,000 00
1,42,00,000 00	Bonus to Staff ...	1,90,00,000 00
15,00,000 00	Transferred to Staff Welfare Fund ...	18,50,000 00
5,00,000 00	Transferred to Staff Co-operative Housing Fund ...	6,50,000.00
5,49,072 52	Balance carried forward to the Profit and Loss Account ...	5,49,487 98
3,84,27,272 52	Total	4,48,49,987 98

*Subject to deduction of tax.

DENA BANK LIMITED
Bombay

Abridged Balance Sheet as at 31st December 1967

1966	CAPITAL AND LIABILITIES	1967
Rupees		Rs. p.
1,25,00,000	1. Capital (paid-up)	1,25,00,000.00
1,41,15,000	2. Reserve Fund and Other Reserves	1,51,15,000.00
95,25,73,476	3. Deposits and Other Accounts	102,10,31,443.74
1,43,60,000	4. Borrowings from Other Banking Companies, Agents, etc.	4,49,87,800.00
72,22,611	5. Bills Payable	90,52,716.61
7,37,49,786	6. Bills for Collection being Bills Receivable as per contra	8,21,43,485.68
4,08,66,130	7. Other Liabilities	4,15,27,849.60
11,10,33,002	8. Acceptances, Endorsements and Other Obligations as per contra	10,98,80,105.91
19,96,500	9. Profit and Loss	18,45,767.31
122,84,16,505	TOTAL	133,80,84,168.85

1966	PROPERTY AND ASSETS	1967
Rupees		Rs. p.
8,38,28,220	1. Cash	9,17,34,525.75
38,13,711	2. Balances with Other Banks	61,68,321.61
Nil	3. Money at Call and Short Notice	Nil
33,17,45,346	4. Investments	38,57,01,696.00
59,83,33,775	5. Advances	64,43,84,854.68
7,37,49,786	6. Bills Receivable being Bills for Collection as per contra	8,21,43,485.68
11,10,33,002	7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as per contra	10,98,80,105.91
43,63,810	8. Premises	46,40,905.73
60,38,479	9. Furniture and Fixtures	63,48,877.29
1,55,10,376	10. Other Assets including Silver	70,81,396.20
Nil	11. Non-Banking Assets Acquired in Satisfaction of Claims	Nil
122,84,16,505	TOTAL	133,80,84,168.85

RECORDS AND STATISTICS

Import Policy: April 1968-March 1969

THE LIBERAL policy adopted after devaluation to enable priority industries to meet their full requirements of imported raw materials, components and spare parts, after taking into account indigenous availability, will continue in its basic essentials. But certain adjustments have been made in this policy to make it more export and production oriented.

Though the list of priority industries will remain unchanged, the units engaged in industries other than the priority industries will also get priority treatment, preferred sources of supply for import of raw materials, etc., and facilities for expansion of capacity, if their export performance during 1967-68 has been 10 per cent or more of their production. (This will apply to non-traditional end-products.)

Within the priority list itself, the units whose export performance during 1967-68 has been 10 per cent or more of their production, will get preferential treatment as compared to other units in the same industries. Such preferential treatment will be in regard to the sources of supply in respect of raw materials etc., and also in the matter of expansion of capacity.

From the priority list, 10 industries having relatively better export potential have been selected. The units engaged in these industries are expected to show export performance to the extent of at least 5 per cent of their production. If they fail to do so, although they have been in production for more than five years, their import entitlements will be liable to cuts, apart from their being excluded from the facilities of preferred sources of supply for raw materials etc., and for expansion of capacity. The industries concerned are (i) bicycles, (ii) certain parts of bicycles, (iii) diesel engines stationary type, (iv) certain small tools, (v) coated and bonded abrasives, (vi) storage and dry batteries, (vii) wire ropes, (viii) certain automobile ancillaries, (ix) drugs and pharmaceuticals and (x) paints, varnishes and enamels.

Small-Scale Sector

The industrial units in the small-scale sector, whose export performance during 1967-68 has been 10 per cent or more of their production, will get the same facilities as available to the large-scale units with a similar performance. However, the provision for reduction of import entitlements referred to above, will not be applicable in the case of small-scale units.

In the case of priority industries, the basis on which the extent of import facilities to be granted and their frequency were determined, has been modified with a view to establishing a firmer link between the extent of import facilities and that of the production turned out by the unit. Priority units will hereafter claim import licences by way of replenishment of the imported raw materials and components consumed by them in their production. The replenishment will be granted on a continuous basis on the strength of actual consumption in successive periods of not less than three months and not more than six months. There will be no last dates for submission of applications; and import licences will be issued as and when asked for on the above basis, provided the balance value available against licences in hand does not exceed the extent of replenishment claimed on the date of application. In order to operate this principle of replenishment on a rational basis, the requirements of spare parts have been separated from those of raw materials and components, and the priority units or those qualifying for priority treatment, will be given separate licences to meet their annual requirements of spare parts.

The policy in regard to meeting the requirements of raw materials, components and spares of industries other than priority industries, will continue unchanged.

Import substitution will continue as a basic tenet of import policy. As a result of the progressive increase in the capability of indigenous manufacturers, the items which were allowed to be imported without restriction within the overall value of the licences, have now been included in the restricted list, and some of the items which were already subject to restrictions have now entered the non-permissible list. The names of all such items are shown in Tables I and II.

New Procedure

A new procedure has been introduced with a view to enabling indigenous engineering industries to participate effectively in the avoidance of imports of machinery and equipment required by new or expanding units. The main feature of this procedure is that the applicant for the import licence for plant and equipment above the value of Rs 7.5 lakhs will have to make his requirements known to the indigenous industry through an advertisement in the 'Indian Trade Journal'. The responses to such advertisements from the indigenous manufacturers will enable the DGTD to prevent effectively the importation of items which can be locally fabricated. The same procedure is proposed to be applied in regard to imports of steel castings and forgings of the value of Rs 50,000 or more.

The import policy for registered exporters will continue in its basic essentials but the procedural requirements in regard to nomination have been further simplified and streamlined. For convenience of reference, the import policy for registered exporters has been given in a separate volume, i.e., Volume II of the Red Book with an exhaustive index indicating the classification of numerous items which do not find an individual reference in the main policy statement.

Sales of gem and jewellery items to foreign tourists have now been brought within the purview of the replenishment scheme.

STATE TRADING

With the addition of three more items to the list, the items the import of which will be canalised through the State Trading Corporation are (i) art silk yarn, and thread, (ii) wool raw and wool tops including wool waste, shoddy wool and woollen rags, (iii) all synthetic non-cellulose fibres including polyster fibre, (iv) mercury, (v) rock phosphate, mineral phosphate, (vi) sodium nitrate, (vii) muriate of potash, (viii) sulphate of potash, (ix) sulphate of ammonia, and (x) Raw films (35 mm, excluding sound negative).

CO-OPERATIVES

Import of a few selected consumer goods, namely, medicines, text and technical books, hearing aids and hearing aid batteries, artists' brushes and rubber contraceptives, will continue to be allowed through the National Co-operative Consumers' Federation.

The co-operative societies will also be allowed to pool the requirements in respect of raw materials and components of their member units and obtain bulk licence for import on their behalf.

ESTABLISHED IMPORTERS

Established importers will continue to play the limited role assigned to them in the total import trade of the country.

The grievance voiced on their behalf that the new basic period introduced last year left a gap between the earlier basic periods and the new one, has now been remedied. The list of items in respect of which quotas have been reduced is given in Table III.

TABLE I

ITEMS TAKEN OFF THE PERMISSIBLE LIST

Ferro-selenium.
Silico-spiegel.
Aloe fibre.
Sisal yarn.
Asbestos yarn, packings, rope lagging and asbestos textile products, all sorts.
Certain sizes of ball, roller & taper bearings.
Broaches.
Dial indicators.
Thread plug gauges and ring gauges.
Graphite crucibles of sizes up to 300.
Silicon carbide crucibles or carbon bonded graphite crucibles of sizes up to 100.
Rubber covered conveyor belting.
Commutators for DC motor up to 20 HP.
Segments of commutator for motors of all sizes.
Carbon brushes except special types (Electrographitic grade and brushes of odd size) required as spares.
The following coal mining machinery and parts thereof :—
1) Coal cutters (Shortwall, longwall, longwall/shortwall and crawler mounted arc wall).
2) Haulages (Direct, endless and reversible endless) up to 200 KW
3) Mine electric winder (Drum & friction type) up to 2000 KW.
4) Safety detaching hooks up to 7½ tons.
5) Friction wedge type rope cappel suitable for ropes up to 1.1/8" dia.
6) Coal loader (Capacity in coal up to five tons per minute).
7) Mine locomotive (capacity up to 60 KW).

Mercury vapour lamps.
Graphite electrodes and anodes and carbon paste.
Power and distribution transformers of ratings up to 20,000 kva and 132 kv on the HT side.
Conductor accessories, ground wire accessories, line hardware, and insulator hardware materials used with transmission lines and insulators up to 220 kv and 40,000 lbs strength.
Mining cables and railways signalling cables.
Electrolytic copper wires, etc.—Others.
Metal graphite grade of carbon blocks, photo process carbons and gonging electrodes.
Electric exploders.
Miner's cap lamps.
Cation active finishing agents, synthetic resin finishing agents.
Textile preservatives (excluding phenol cresol but including their substituted products).
Sodium aliginate.
The following textile machinery and parts thereof :—
1) Vacuum steaming plant.
2) High temperature high/low pressure piece dyeing machine.
3) Package yarn dyeing machine.
4) Continuous bleaching plant (open-width).
5) Embossing calender.
6) Rubber sleeves for shrinking ranges.
7) Stenter clips.
8) Raising fillets.
9) Hank expander.

Single-spindle fully automatic pirn winding machine.
High speed sectional warping machine other than sectional warping machine for liba warp knitting machine and raschel warp knitting machine.
Metallic traverse drums for high speed winding machine of various types and 5" and 6" bakelite traverse drums for various winding machines.
Pirn winding machine (Single-spindle/four spindle type).
Warp winding machine (with or without automatic knotter).
High speed warping/sectional warping machine other than sectional warping machine for liba warp knitting machine and raschel warp knitting machine.
Sizing machine.
Plain loom.
Fabric strength tester.
Fabric and yarn strength tester.
Direct yarn count balance.
Tear strength tester.
Round comber needles of any gauge.
Meter counters and other counters.
Spare parts for grinding rollers, dead or traverse.
Drugs and medicines, the following 38 items.
1) Belladone extracts.
2) Benzathine penicillin.
3) Berberine and its salts.
4) Brucine and its salts.
5) Buclizine and its salts.
6) Carbarsone.
7) Cortisone.
8) Cyclizine and its salts.
9) Chlorcyclizine.
10) Diethyl—Carbamazine and its salts.
11) Ethinyl estradiol.
12) Ferrous fumarate.
13) Ferrous gluconate.
14) Halogenated derivatives of hydroxyuuinoline.
15) Hydrocortisone.
16) *17-L-hydroxyprogesterone and its esters.*
17) Hydroxyzine hydrochloride.
18) Hexamine.
19) Insulin all types.
20) Lanolin (Adeps lanae).
21) Magnesium trisilicate.
22) Meclozine and its salts
23) Menthol.
24) Meprobamate.
25) Mercuro-chrome.
26) Methyl testosterone.
27) Paracetamol.
28) Penicillin G (Sodium/potassium/procaine) and phenoxy methyl penicillin.
29) Peptone.
30) Potassium bitartrate.
31) Progesterone.
32) Salicylic acid all grades.
33) Sodium formate.
34) Sorbitol.
35) Testosterone and its esters.
36) Vitamin A.
37) Vitamin K.
38) Zinc undecylenate.

Orange oil.
Fire bricks (Refractories).
Refractory coating and cement.
Commutators and parts thereof.
Watch cases.
Cartridges 12 bore 2½" shots 2, 4, 6 & 7 and cartridges 2¾", cartridges 12 bore shots sizes 1, 3, 5, 8 BB, AAA etc. L.G., S.G. and spherical ball.
Chemicals, *the following 16 items.*
1) Accelerators, antioxidants and retarders used in rubber chemicals.
2) Aluminium fluoride.
3) Ammonium phosphate (Mono and Di).

4) Barium chloride.
5) Barium nitrate.
6) Bisphenol.
7) Diethyl ether.
8) Dipthenylamine.
9) Hydrofluoric acid.
10) Industrial gases—Oxygen, dissolved acetylene, carbon dioxide, hydrogen, nitrogen and nitrous oxide.
11) Oleic acid.
12) Perchloroethylene.
13) Phenol.
14) Phosphorus pentoxide.
15) Sodium fluoride.
16) Sodium formate.

Raw materials for paints, the following :—
1) Maleic anhydride.
2) Phthalic anthydride.

Wood and timber namely mahagony, walnuts, cornel and compressed oakwood, hornbeam.
35 MM and 35/70 MM projector Head complete with or without accessories.
Magnets except ceramic and sinterns.
Components of moving coil meter such as magnets, jewels, laminations, castings, dials, needles and other pressed components.
Pressure gauge-indicating and recording.
Drought gauge-indicating and recording
Thermocouples-base metal and rare metal.
Pyrometers-indicating, recording and controlling.
Resistence thermometers—indicating, recording and integrating.
Flow meters (Manometric indicating, recording and integrating).
Flow meters—electric transmitting, indicating, recording and integrating.
Flow meters—ring balance, indicating, recording and integrating.
Flow Meters—open channel indicating, recording and integrating.
CO2 analysers, indicating and recording.
Differential pressure transmitters—pneumatic.
Pneumatic controllers, indicating and recording.
Single point electronic potentiometers, indicating, recording and controlling.
Level meters, indicating, recording and controlling.
Pressure recorders.
Temperature recorders.
The following printing machinery and parts thereof (26 items) :—
1) Paging machines and other similar machines.
2) Ticketing machines.
3) Graining machines, for graining of offset plates (all sizes).
4) Vacuum printing frames for the offset plate making (all sizes).
5) Plate whirlers for the offset plates (all sizes).
6) Etching and retouching tables.
7) Mounting tables.
8) Registering tables.
9) Paper jogging machines.
10) Ink agitators.
11) Spray units.
12) Roller washing devices.
13) Self adjusting proof presses (letter press) except precision letter press proofing presses.
14) Paper folding machines from 17" x 24" to 30" x 40".
15) All hand-fed letter press printing machines.
16) All automatic letter press printing machines up to 20" x 30" other than those for high grade work for quality printers.
17) Power-operated and hand-operated paper-cutting machine (other than (i) automatic guillotine of 42" and above and (ii) heavy duty power-operated guillotine of 42").
18) Wire-stitchers of less than 1" capacity.
19) Paper perforating machinery hand or treadle type.
20) Paper varnishing and gumming machinery (a) 24" x 37" and (b) 32" x 44".
21) Parallel locking up of quions 4 x 12 cm to 4 x 48 cm.
22) Rule cutter size 9".
23) Table router 32" x 20".
24) Coating and laminating machinery.
25) Corrugating machinery single and double face combined conveyor.
26) Cutting, scouring and slotting machines.

Rubber blankets for cloth processing machines namely printing, sanforising etc.
Silicon diodes up to 50 Amps.
Flashes and time switches.
Electromedical equipments, parts and accessories thereof, the following 58 items :
1) X-ray equipments up to and *inclusive of 500* m.a. capacity.
2) Single channel portable cardiographs and cardioscopes.
3) Ultra-violet ray lamps (Excluding kromdyer for medical treatment).
4) Infra-red ray lamps for Medical treatment.
5) High tension transformers or generators.
6) X-ray controls.
7) Fluoroscopic stands.
8) Bucky tables-hand or motor driven.
9) Tube stands.
10) Ceiling mounted tube carriages.
11) Cones.
12) Localizers.
13) Collimetres.
14) Manual casset changers.
15) X-ray protection screens, barriers and devices.
16) X-ray radio, petrol or diesel engine driven electrical alternators.
17) X-ray viewing equipment.
18) Fluoroscopic screens.
19) Intensifying screens.
20) Film filing cabinets.
21) Barium enemia equipment and electric mixer.
22) Film markers.
23) Angle boards.
24) Film clips hangers.
25) Film developing tanks.
26) Dark room thermometers and floating thermometers.
27) Drying units and cabinets.
28) Wet film rack.
29) Tube lamps for illuminators.
30) Meters of all types such as kv, MA and parts thereof.
31) Compensation transformers and parts thereof.
32) Switches and parts thereof.
33) Knobs.
34) Dial plates.
35) Castors.
36) Brackets.
37) Plugs.
38) Mains correction transformers.
39) Hand and foot switches.
40) Tape recorders.
41) H. T. Coils.
42) Filament transformers.
43) Transformers oil.
44) Boosting transformers.
45) Lamination for the transformers.
46) Tube head covers.
47) Holders and supporters.
48) Hoses.
49) Thermometers.
50) Clamps.
51) Pulleys.
52) Pulley wires.

53) Counter weights.
54) Tube colum rails.
55) Rubber stops and bushings.
56) Knobs and handles.
57) Head shoulder.
58) Footrest.

Tramcars and component parts and accessories thereof.
Varnish shellac to approved specification No. BSS x 18.
High flying oxygen to approved aircraft specification.
Thinner to approved aircraft specification and cellulose nitrate dope to specification AN.T.T.D. 514-3 and clear dope to specification No. D.T.D. 751-3.
Aircraft soldiers grades A & B to B.S. specification No. 219/49.
Dakota aircraft 12 Volt 85 amphour battery type No. 6A 13 RT
HT-2 aircraft 24 volts 20 AH Batteries 79 No. 12 TA-9B.
Water meters.
Surgical operating tables working on hydraulic principles along with its spares and accessories.
Hypodermic needles.
Magnets except ceramic and sinterns.
Glass syringes more than 1 Ml capacity and less than 50 Ml. capacity.
Stethoscope.
Albastone, acstone and moldano.
Dental air compressor.
Lining cavity.
Probes.
Calsite investment.
Mercury chemically pure needed for dental purposes.
Dispenser, mercury.
PVC composition including moulding powder.
Asbestos mantle yarn.
The following machine tools and parts thereof (12 items)

1) Twist drill grinders.
2) Roll grinders.
3) Unit heads, special purpose machine including transfer machines.
4) Beam benders.
5) Semi-automatic and automatic sub-merged arc type welders.
6) Pantograph engraving two dimensional machine.
7) Tapping machine 20 mm dia. capacity.
8) Cable making machinery.
9) Broaching machine—50 ton capacity.
10) Induction heating equipment (Mains and Medium frequency).
11) Valve seat grinder.
12) Clutches.

TABLE II

LIST OF ITEMS TO BE ALLOWED FOR IMPORT TO ACTUAL USERS ON RESTRICTED BASIS (TOTAL NUMBER OF ITEMS 197)

Oil line pipes and tubes of API specifications.
Pipes or tubes flexible, for passing gas or fluid under pressure and telescopic flush pipes.
Iron and steel bolts, nuts, set screws machine screws and machine studs but excluding bolts, nuts and screws adapted for use on cycles—
(a) Machine screws, set screws and machine studs.
(b) Others.
Malleable iron castings including malleable iron pipe fittings etc.
Iron and steel wire ropes or wire strand (Stranded wire).
Boot and shoe grindery.
Special and alloy steel castings weighing above 3 tons per piece.
Unmachined steel forgings including forged steel balls.
Copper, wrought in the following forms, viz., tape, foil, highly polished sheet specially prepared for making process blocks, lithographic sheet and copper perforated sheet (for printing industry).
Copper flexible pipes or tubes, for passing gas or fluid under pressure.
Zinc granulations and dust.
Scrap of brass, bronze or similar alloys.
Nickel base alloys and nickel chrome alloys including manufactures and scraps thereof.
Phosphor bronze/monel metal rods/wires/strips.
Bronze flexible pipes and tubes for passing gas or fluid under pressure.
Monel metal unwrought.
Rolling rolls for steel works (whether of cast iron, cast steel or forged).
Packing engines and boilers all sorts, n.o.s.
Steam, pneumatic and hydraulic packings for all machinery.
Readymade boiler packing.
Machined steel balls above 9/16" dia.
Coated or uncoated arc welding electrodes.
Iron or steel coated and uncoated rods, wire, foils and strip for gas welding and brazing.
Non-ferrous electrodes/wires, etc.
1) Ni-chrome.
2) Iron base alloys.
3) Other special alloys including aluminium resistance alloys.
Ball bearings specified in Appendix 14(1)(b), 14(2)(b), 14(3)(b) and 14(4)(b).
Slitting and slotting saws of thickness below 1/8".
Grinding wheels and segments.
Emery fillets.
Crocus paper and emery polishing papers of standard micron gradings.
Water proof abrasive paper and cloth.
V. Belts, B.C.D. sections over 100" in circumference of sizes other than those detailed in Appendix 23.
Spare parts of road rollers.
Marine diesel engines above 320 HP.
Parts of Petrol, gas and kerosene engines.
Out-board motors up to and including 5 HP.
Out-board motors above 5 HP.
Fractional horse power motors (including motors up to one HP) suitable for DC supply or single phase.
Electric generators.
Generating sets.
Special pumps for fused caustic soda or acids.
Safety equipments required by collieries.
Thermocouples and pyrometer.
Lightning arrestors, high voltage fuses and protective relays.
Power and distribution transformers other than of rating up to 20,000 KVA and 132 KV on the HT side.
Air and oil circuit breakers up to 660 volts and cubicals and pancels incorporating these.
Electric control gear and electric transmission gear—Others (Permissible items).
Power cables above 33 KV.
Disc insulators of above 18,000 lbs EMS.
Transformers bushing and apparatus insulators below 66 KV.
Safety lamps.
Dyes intermediates, the following — (32 items)
1) Acetoacetanilide.
2) Acetoacet-o-chloroanilide.
3) Acetoacet-p-chloroanilide.
4) Acetoacet-o-toluidide.
5) Anthraquinone.
6) o-anisidine.
7) p-anisidine.
8) Benzoyl-J-acid.
9) Chicago acid.

EASTERN ECONOMIST 16

UPEES 1.25 APRIL 19, 1968 VOLUME 50

New Delhi, April 8—Deputy Prime Minister Morarji Desai reportedly told the Congress Parliamentary Party's executive today that his visit to Manila to attend the first meeting of the Asian Development Bank was purposeful.

EASTERN ECONOMIST

APRIL 19, 1968

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No Matter for Bravado

MORE RESOURCEFUL than redoubtable, Mr Swaran Singh is the most durable of all the central ministers (not excluding Mr Jagjivan Ram who has had his ministership interrupted by the Kamaraj plan). During his long period in office, Mr Swaran Singh has sought to serve the nation in various roles and capacities and, now that he is Defence Minister, he has perhaps thought it appropriate that he should present himself as another Maharaja Ranjit Singh. A few days ago, in the Lok Sabha, he yielded to the temptation of describing as an exhibition of "colonial mentality" the attitude of those who would ask of our government that it should undertake an appraisal of our national security needs and problems in the light of the British government's decision to wind up its military bases and withdraw from its military commitments east of Suez **(excluding Hong Kong)**. What Mr Swaran Singh found particularly difficult to stomach was that these people should be talking of a "vacuum" simply because British troops were to give up policing the area.

We are glad that the Defence Minister is so sensitive to the nuances of the English language. Would it be too much to expect that he should also be sensible about the realities of defence strategy or foreign policy? How can it be denied by Mr Swaran Singh or anybody else that the British decision does alter in a significant manner the balance of forces in the Indian Ocean and the balance of power from west Asia through south Asia to east Asia? It would have been a different matter had the American military presence in these parts of the world remained unaffected. In that event, the British withdrawal would not have greatly mattered ultimately in terms of the availability of, or the region's access to western military co-operation in the event of a crisis. But, with the United States having undertaken an agonising reappraisal of its role as democracy's protector and policeman in South Vietnam and, therefore, by implication, in much of the rest of the Asian region, sharp and abrupt elements of uncertainty have surely been injected into the security assumptions, postures and patterns of our country as well as of many others in these parts of the world. To demand that those who are responsible for our foreign and defence policies should take the trouble of evaluating these elements seems to us to be a perfectly legitimate right of our people. Why, then, should Mr Swaran Singh seek to misinterpret this demand as a yearning for the return of imperial protection?

We have a small navy and a long coastline. We have uneasy land frontiers in the north and the north-east and a pair of militant neighbours who had attacked before and who might attack again. In addition, we have trouble with communist and communal extremists and tribal secessionists in strategic border areas. Our immediate neighbours to the south are a distracted and threatened Burma and a rather confused Ceylon. Then there are Singapore, Malaysia, Australia and New Zealand, each one of which has had its strategic planning and military calculations profoundly altered by the British decision to withdraw and the developments in South Vietnam. Indonesia is only slowly recovering from the ravages of the Soekarno regime, while over most of east Asia the pillars of national security have been shaken for many small countries by the uncertainties about the United States' Asian policy in the future. As for Japan, it is still far from having assumed full national responsibility for its own security. Can it be doubted at all that there is in all this situation everything to tempt the worst impulses of Mao's China?

Again, a country such as ours which, for all the bravado of our present Defence Minister, is critically dependent on other countries and their governments for vital military equipment and supplies, can hardly afford to dismiss as of no account such collective defences as it may be possible to organize for a larger regional security in which its own national security may find firmer ground. The theme, surely, is right and ripe for mature debate. The government therefore ought to find from among its members somebody more adult and responsible than its present Defence Minister to look for answers to the questions that are bound to be asked with increasing frequency about the objectives of our foreign policy or the formulations of our defence strategy in the light of the changing political and military equations in these parts of the world.

Wagons in the Recession

THE UNION Minister for Railways, Mr C. M. Poonacha, permitted himself some time ago a rather unkind observation regarding the wagon industry's demand for a better planning of orders by the Railway Board so that the industry could avoid under-utilisation of its engineering facilities. He declared that the railways were a service organisation and not a rehabilitation organisation and that they could not be expected to fill the gap between the production capacity of the wagon industry and the actual requirements of the railways by placing orders for wagons the latter did not need. The manufacturers of wagons, while approaching the railways for advance orders, do not however ask for charity. It is simply a question of fair dealing in the light of the fact that the railways in the country are a monopoly consumer of wagons. The pattern of production in the wagon industry demands that it should have in hand orders for some years to maintain proper schedules of production. The minister ought to bear in mind the fact that wagon manufacturers developed capacity at the express request of the Railway Board and to meet the projected demand of the railways. The wagon builders, who are also producers of other kinds of engineering goods, can no doubt, at some trouble and expense, shift their capacity over to the production of other items, but, while this diversification is desirable up to a point, it is in the interest of the railways themselves that it should not be pushed to an extent where the wagon industry's capacity to meet promptly the demands of the railways for wagons in the future is impaired.

The wagon industry is among the worst hit by the recession. The index of production of railway wagons (1956=100) came down from 156.5 in 1965 to 92.8 in 1966 and stood around 57.8 towards the end of last year, registering a drop of 100 points in two years. This drop was caused by the railways announcing in December 1965 the reduction in orders for 1965-66 and cutting the order for 1966-67 altogether. The railways applied this cut because the originating traffic did not materialise according to their expectations. Towards the end of the third Plan the quantum of traffic that was expected to materialise around the years 1970-71 was placed at 308 million tonnes. It was proposed that to meet this quantity of traffic, the carriage capacity would have to be tentatively increased by 163,000 wagons in terms of four-wheeler units. This estimate, in turn, was based on the assumption that the quantum of originating traffic to be moved in 1965-66 would be of the order of 230 million tonnes. The actual performance, however, revealed that the traffic for that year materialised to the extent of 204 million tonnes only.

The wagon builders do appreciate the point that somewhere there was a miscalculation in the preparation of the estimates of demand for wagons for railways. They, therefore, do not challenge the right of the railways to revise their projected demand downward. But they also demand that their problems too should receive consideration. Had they been informed sufficiently in advance, they could have avoided a major dislocation in the industry. It takes at least five years for the wagon industry to effect a large-scale readjustment in production plans. Mr Poonacha recently stated that the railways had placed an order for 6,000 wagons during 1967, and taking into account a backlog of 10,000 wagons, the manufacturers had already firm orders for the production of 16,000 wagons. In view of the fact that today the wagon manufacturers have an annual capacity of around 30,000 wagons, they should have in hand firm orders for 1969-70 as well as 1970-71 so that they could plan their manufacturing programmes in a proper manner. Mr G. R. Hada, President of the Engineering Association, however, revealed recently that orders for 1967-68 had been placed as late as December 1966 and those for 1968-69 had not been finalised yet.

In the light of the present surplus manufacturing capacity with the wagon builders, the Railway Minister's complaint about the non-delivery of wagons does not seem to be based on complete facts. As Mr Hada explained recently, some delay was caused in deliveries of wagons to the railways because certain components and accessories for which the wagon manufacturers depended mainly on the Railway Board and to some extent on ancillary producers, were not delivered to them in time.

The Railway Board has been taking full advantage of the weak bargaining position of the industry to squeeze prices and profits. Contracts for 1968-69 were finalised at lower prices than in previous years. For instance, in 1965-66 the price of a wagon was Rs 55,500 against which only a sum of Rs 53,150 for each wagon was offered to the industry for 1968-69 orders. Similarly as against a previous price of Rs 16,000 for four-wheelers, the price now being granted by the Railway Board is only Rs 14,990. This downward revision has been forced on the industry in spite of the fact that there has been an increase in the prices of various raw materials as also in wages and other costs.

It may be added that the wagon industry has achieved over the years technical perfection of a high order. Its products match in quality those of any foreign competitor. The export potentialities are attractive but they can be exploited only if the industry's large home base is sustained too.

Progress Without Profit

IN HIS address to the annual meeting of the Indian Jute Mills Association (IJMA) in Calcutta on April 5, Mr Dinesh Singh, the Commerce Minister, acknowledged the "tremendous progress" made by the jute industry particularly in developing new items. But he did not reveal awareness of the fact that the industry had made this progress in the face of formidable financial and other difficulties. Mr Singhania, the IJMA chairman, disclosed that the mills were selling their goods at much the same price as they did 20 years ago and he wondered if any other major industry in the world could make such a claim. He pointed out that for the last two years, the working of the jute industry had been "most unprofitable" and that almost all the units were "in an extremely difficult financial position".

The Commerce Minister said that the government was aware of the export earning potential of the jute industry and that was why it gave "so serious a consideration" to its problems. But, really, how serious has the government been in helping the industry to tackle its difficulties? The IJMA chairman said that the industry got no special treatment in obtaining funds and that it had to pay high rates of interest on its working capital and for export finance. The State Bank of India was now insisting on increasing its margin from 15 to 25 per cent, in complete contradiction to the official policy of providing cheap finance to export industries. Besides, the government departments add to the difficulties of the jute mills by withholding, for long periods, the payments due to them on various accounts. Here are some interesting details: (1) The jute import assistance scheme, Rs 215 lakhs (due for nearly 1½ years); (2) Drawback of 10 per cent regulatory duty, Rs 7 lakhs (due for about three years); (3) Emergency risk goods insurance scheme, Rs 28 lakhs (due for about 2½ years); and (4) Tax credit certificates (exports) scheme, Rs 50 lakhs (due for almost two years). Altogether the government owes the industry about three crores of rupees. Mr Dinesh Singh said that he had not had time to go into the details of this problem and promised to have it examined "within a week or so". But will the Ministry of finance which has delayed the payment of these bills for so many years, readily oblige the Ministry of Commerce in arranging prompt payment?

Mr Singhania quoted figures to show the serious competition that the jute industry was facing in foreign markets. He said that so far in the USA hessian had been this country's preserve but in January 1968 the USA took 20 per cent of its hessian requirements from Pakistan. In 1956-57 Pakistan's share of world production was only 7 per cent but ten years later it increased to 13 per cent. India's share in world exports declined from 83 per cent to 61 per cent in the last ten years while Pakistan's share jumped from 7 per cent to 30 per cent. "These features", said Mr Singhania, "are most disquieting and call for our greatest possible attention". But Mr Dinesh Singh did not appear concerned about these trends. He asserted that "if you look at the prospect of marketability, raw material, and production, our jute goods are by no means at a disadvantage in the world markets". On the profitability of the jute industry, the Commerce Minister made certain remarks that were irrelevant. For example, he said, "when you look at the large proportion of the people who are not direct sharers in the profit that comes to the community engaged in industry, you will perhaps appreciate that the bulk of the people living in this country are not getting as equitable a compensation as they ought to get by belonging to a country where rapid economic development is taking place".

Regarding the threat to the jute industry from synthetics, Mr Singh and Mr Singhania differed. The IJMA president said: "Synthetics today sell at competitive prices and have already captured the entire sand bag market from jute in the USA. This market accounts for some 230 million yards of fabric annually. If so far synthetics have not been able to take more of our markets, it is mainly because they are still in the process of increasing their raw material supplies and enlarging their manufacturing facilities. Very considerable investments have either been made or are in the process of being made. Synthetics are particularly attracted towards the carpet backing market and already supply approximately 15 per cent of US primary backing demand. They prophesy a substantial reduction in prices as production grows". But the Commerce Minister replied that the competition from synthetics was not peculiar to the jute industry. The world production of synthetics increased from 1.3 million tonnes in 1949-50 to 3.1 million tonnes in 1966-67, a rise of 1.8 million tonnes but the Minister said that there was no reason for despondency. He added: "Synthetics are catering for specialised needs while the jute industry is catering for another section of specialised needs. Synthetics that have been developed do not pose a threat to the bulk of your products". This view seems to smack of complacency. It is however gratifying to find that the Commerce Minister has assured the industry of the government's active support in its modernisation programme. "It will be my endeavour," he said, "to try to persuade the government to give you the finances on more attractive terms." He also welcomed the industry's proposal to collaborate with its counterpart in Pakistan. But unless the government takes active interest in this scheme, it is unlikely to make progress. In the case of the tea industry's agreement with Ceylon, it was the Commerce Ministry which took the initiative. In jute also, the government must give the lead if it is convinced that joint action with Pakistan will be in the best interests of our country.

Any scheme of Indo-Pakistan collaboration can work well only if the industry in our country is able to work profitably. Mr Singhania pointed out that the industry's vitality had been seriously affected by widening disparity between raw jute and gunny prices. He said: "Taking the price parity between jute goods and raw jute in 1952-53 as a base, the ratio has been unfavourable to jute goods from 1955-56 up-to-date. In 1966-67 the ratio of the prices of jute manufactures as a percentage of the raw jute prices reached an all time low of 57 per cent. How, then, can the industry pay a price for its raw material which is not in parity with its finished goods prices. The minimum support price for raw jute is in the nature of an insurance and, so far as I am aware, nowhere else in the world is an export industry consuming an agricultural raw material being called upon to bear the entire burden of such an operation". Nevertheless, he said that the IJMA had been doing all in its power to maintain minimum support prices and he correctly observed that raw jute prices could not be considered in isolation, regardless of the prices of jute goods and the demand for them. Mr Dinesh Singh's reply to this point was vague and not quite relevant. He said that in a parliamentary system of democracy, it was the interest of the majority which must necessarily prevail over the interest of the minority; and so, the jute industry should give greater consideration to the welfare of the larger section of the community.

The chairman of the IJMA also argued forcefully for the abolition of the export duty which was a source of uncertainty and a psychological irritation to our overseas buyers. The Ministry of Finance should adopt a more positive and sympathetic attitude towards the jute industry which accounts for 50 per cent of our dollar earnings, has an annual turnover of about Rs 300 crores, employs a large number of workers and provides livelihood for about four million farm families.

Banks and the Priority Sectors

THE INDIAN Banks' Association (IBA) has stepped into a new age altogether in so far as commercial banks are concerned. The general thinking on the nature of social obligations of these banks has changed, as Mr Krishnaraj M.D. Thakersey, the IBA chairman, told the twenty first annual general meeting of the association. He also added—and this is noteworthy too—that "the banks have displayed their dynamism and flexibility by promptly bringing their working and management in line with the new thinking." Lest this be construed to imply that they were not alive to these obligations hitherto, Mr Krishnaraj also took care to stress the point that "the banks have always been aware of their social obligations and responsibilities and have conscientiously discharged them to the best of their abilities and understanding". However, this has not been conceded by the "Young Turks" and their friends who have spared no effort to impose their concept of social control of banks on their countrymen. Anyway this common experience of banks has produced one good effect, namely, to persuade all the exchange banks in the country also to join the IBA members to make common cause with their commercial banker confreres. This is a welcome, *albeit* belated, recognition of the adage "unity is strength."

According to the IBA chairman, the banks have hitherto been able to evolve a new pattern of their working and managements and, in this process, it is comforting to be told that they have paid due regard to the millions of their depositors and the thousands of their shareholders, who, ironically enough, it seems were nowhere in the picture whilst the scheme of social control of banks was being hatched or hammered out. Although the expression "priority sectors" is of relatively recent origin, it is known that, in the past too, the banks did their utmost to assist socially needy sectors such as the export trade and the economically vulnerable sectors such as the small-scale industries. Now they have been actively encouraged officially to step up the scale of their assistance to these sectors, by the concessional refinance from the Reserve Bank of India. But it took nearly seven years, as Mr Krishnaraj reminded, for four official and semi-official committees to lay down the principle of providing concessional refinance or subsidy to the banks for passing on the benefit of the reduced rates of interest to exporters. As it is, on their own account, the banks have been charging between 8½ and 9 per cent. Under the new dispensation, however, refinance will be available to banks at the Bank rate, if not even lower as in the case of engineering or metallurgical exports, and the banks themselves are not charging more than 6 per cent on all export credits (irrespective of the availability or not of Reserve Bank refinance). The banks are to be assisted yet further by means of subsidy of about 1½ per cent per annum under a scheme that is being worked out.

In the case of small-scale industries also, according to Mr Krishnaraj, the banks are trying to enlarge the scope of their assistance in a variety of ways, such as charging of lower rates of interest and adoption of relatively more liberal standards. But, more than the unwillingness of banks, it seems, the one real obstacle to increasing assistance to small-scale industries lies in the capacity of these industries to absorb bank finance, wherefore the IBA chief's plea for adoption of the necessary measures for enhancing their economic strength and capacity for credit absorption. He made yet another plea so that the banks could be of more service to small-scale industries and this, we are bound to say, is quite reasonable. The plea was for according to them the same facilities as are now being enjoyed by the state banks in opening branches in industrial estates, inasmuch as the growing trend is for small-scale industries to be concentrated in these estates.

Perhaps the only new area covered by the social control scheme and not served by the banks so far, at any rate to the extent presently expected, is agriculture, and the banks have had good reasons to keep away. By reason of their equipment, personnel and organisation, they were not considered a suitable agency for the purpose. In fact, participation in agricultural credit by them had been ruled out, as financing of rural development in general was left to co-operatives exclusively and deliberately. Once it has been made clear as now that this official view has changed, the challenge of financing agriculture has been promptly accepted by the banks. Thus, in 1967 alone, that is a year only in the last months of which the new concept came to be concretely implemented, more than Rs 17 crores were subscribed by the banks to the debentures of land development banks; a number of pilot schemes for financing agriculture were started by the leading banks; substantial commitments were made by the banks for financing rural electrification in some states, and, above all, an agricultural finance corporation, with an authorised capital of Rs 100 crores, was started by them, and this corporation has new ideas and schemes which will soon bear fruit.

The resilience of, and the rapidity with which, commercial banks are able to transform themselves is really remarkable, as witness the happenings during the past two decades. At first, that is, during the 'forties, the major business of the banks consisted of financing trade. Now, in consonance with the national plans, policies and priorities, they have started extending credit to industries by providing substantial term and working capital, issuing guarantees and assuming larger risks than before generally. Further changes are in the offing, but, as Mr Krishnaraj observed, "it is difficult to forecast the exact scope which banking will take during the next few years." What is certain, in the meanwhile, is that the pattern and composition of the advances and the investment portfolios of banks will change fundamentally. It is imperative that whatever change may take place should be gradual and smooth and, here, it should be reassuring to banks to recall the assurance in this behalf of the Deputy Prime Minister when he inaugurated the National Credit Council (NCC). The authorities have now recognised that no revival in the economy can be brought about by concentrating bank credit in one sector to the exclusion of all others and that, in the allocation of credit, traders in recession-hit industries should have as much priority as manufacturers, and that producers cannot function unless finance is also available for distribution and trade.

Welcoming the NCC as "the most important means of implementing the social control scheme", the IBA chairman expressed the hope that it would turn its immediate attention towards making a detailed and factual assessment of actual credit needs of various sectors and segments of the economy. No credit policy can succeed, unless it is "based on such a realistic assessment of credit needs, how they are being met at present, and how and where they should be or need be supplemented." What is intriguing is that these data should not still be available with the Reserve Bank of India, which implies that the credit policy being followed hitherto by the central bank of our country was one of hit or miss. (Or is it hit and miss?)

In this emerging picture of the working of banks consequent to social control, what is the role of new bank managements? Answering this poser, Mr Krishnaraj said: "The new tasks and responsibilities awaiting them are complex and difficult." At the same time, he was confident that, with their professional competence and new vigour, these managements would lead banks "towards the successful achievement of social aims." If this desideratum is to be ensured, the attitude of bank employees must undergo a radical reorientation. Even after receiving handsome wages and benefits, apart from standard service conditions, all of which have combined to impose a stiff burden on the capacity of banks to pay, bank employees have not cared to demonstrate their willingness to reciprocate by way of increased efficiency, and there is no guarantee that the same experience will not be repeated even after the further stepping up in emoluments that is sure to be demanded —and perhaps conceded—when the present mutually negotiated bipartite settlement expires at the end of this year. Today, more than ever when the rise in revenues has ceased to keep pace with the rise in costs, it is a pity that the banks are faced with the problem of mounting costs and stagnant, if not falling, efficiency.

Eastern Economist 20 Years Ago

APRIL 16, 1948

Statements about the food position, latterly, have tended to be increasingly cheerful. Recently, the favourable import availabilities and better internal procurement led the Food Minister to make the categorical announcement that there would be no famine in the country. A favourable development of recent weeks is the building up of a sizable reserve, information on which was not available when we wrote on the subject last. With the building up of a reserve the Food Administration's effective handling of an emergency will be more feasible and, therefore, it may be readily conceded that in so far as the shortages of supplies are concerned the worst is over. But this conclusion is subject to the very important qualification that this balance in our food budget does not provide us a clue as to whether or not there is a big gap as between food requirements or needs and food supplies. This, however, is no new phenomenon. Even before the war some 30 per cent of our population was victim to malnutrition and under-feeding. This situation, if anything, has worsened during the war and it is, therefore, very important to emphasize the point that our so-called balance in the food budget is only an illusion. This indeed needs to be dinned into Authority's ears; for there seems to be a fair amount of complacency in certain quarters, and the belief seems to have gained ground that if large-scale deaths from starvation are avoided there is nothing more to worry about it. It was, it may be pointed out here, no alarmist motive that inspired the authors of 'A Food Plan for India' to prophesy economic disaster if India cannot be made self-sufficient in food supply.

How to Make Sugar Cheaper?

THE DIFFICULTIES experienced in maintaining the output of sugar at a level which will meet the needs of the country and leave a surplus for export have given rise to the question how the industry should go about its task and what should be done to make sugar available to the consumers at a reasonable price. The record output of over 3.5 million tonnes in 1965-66 gave rise to a feeling of complacency, especially as there had been a successive increase in production for three seasons. With sugar mills having the requisite crushing capacity and the promotion of new units, it was taken for granted that the increase in the requirements of the population could be easily met if a satisfactory minimum price for cane was fixed. The expectations in this regard have, however, gone seriously wrong due to severe drought conditions in the past two years and diversion of acreage for cultivating other crops. The output of sugar has slumped and it is now estimated that even with the policy of partial decontrol, the quantity of sugar produced may not be more than 2.3 million tonnes in 1967-68. It has been stated by Mr V. D. Jhunjhunwala, President, Indian Sugar Mills Association, that the acreage under sugarcane declined by more than 39 per cent in 1967-68 over 1960-66 and with keen competition for the available cane supplies from gur and khandsari producers, it would not have been possible to produce even 1.5 million tonnes but for the new policy.

The experience of 1966-68 should however be regarded as somewhat exceptional as the yield of cane was severely affected by unfavourable weather conditions besides more attractive prices for other crops. There may be a better performance in 1968-69 as it is reported that there has been an increase in the all-India acreage by 30 per cent and the size of the crop also may be larger due to the present efforts to improve the yield per acre. But certain new trends in consumption have emerged which clearly indicate that a minimum output of 3.5 million tonnes of sugar will have to be maintained if there is to be no scarcity even in the remote deficit areas and exports also have to be maintained around 400,000 tonnes. Two years back, it was estimated that internal consumption was about 2.8 million tonnes. It can be assumed that the annual increase in consumption will be of the order of at least 3 per cent, which rate might be higher at 5 per cent after some time if there is a pronounced improvement in the general standard of living. In any case, it would not be unreasonable to assume that by 1973 it would be necessary to raise production to 4.0 million tonnes if there has to be no complaint from any quarter.

No one in high position has suggested so far clearly how the recurrent crises in this major industry could be avoided and how the interest of consumers also could be protected when trying to please the farmer. As there was a desperate situation in 1966-67 and it was apprehended that a serious crisis would develop in the current season if the sugarcane grower was not flattered, the policy of partial decontrol was thought of without trying to understand fully its implications. It is no doubt that this new policy has been successful in the sense that it has prevented a big decline in output and even succeeded in raising it by about 8 per cent as compared to 1966-67. But can levy sugar continue to be subsidised at the present price and free sales effected at over Rs 400 per quintal? In the third quarter of this year even with the best of intentions and the most stringent restrictions, a sharp rise in prices in the open market cannot be avoided for the simple reason that there would be a critical shortage until new season sugar becomes available in ample measure. As there will have to be a minimum carryover of 150,000 tonnes and export commitments will have to be fulfilled to some extent, availability for internal consumption will not be more than 2.4 million tonnes against the requirement of 3.0 million tonnes. High prices may probably have a discouraging effect on consumption but there will still be a gap of 400,000 tonnes which might be exploited by speculators for making huge profits.

Since sugar consumption will continue to increase and there can easily be a doubling of per head intake in the next two decades, future development of the industry has to be planned in such a way that the uneconomic and haphazard growth of earlier years can be avoided. The further development of the industry has necessarily to take place in Maharashtra, Andhra Pradesh, Mysore and Madras states which produce nearly 35 tonnes of cane per acre against less than 17 tonnes per acre in Uttar Pradesh. It would then be possible for available land resources to be utilised effectively. The sugar mills also can work for a much longer crushing season, one unit being in a position to do the work of two in north India.

It may not be possible however to have differential cane prices so long as Uttar Pradesh and Bihar contribute a large share to the total output. But, it should not be difficult after a decade to adopt an entirely different cane pricing policy if the share of Uttar Pradesh and Bihar comes down to 25 per cent or even less. In that event sugar need not be so costly for the consumer as it is generally apprehended or it may not be necessary to subsidise exports. If a realistic approach to the whole problem is adopted, it will be readily agreed that uneconomic units in poor cane growing areas will have to be scrapped while the capacity of the existing units in the tropical region should be raised. It is also necessary to evolve new schemes for increasing the yield per acre. With the introduction of better varieties of cane there can be an improvement in the weight as well as the sucrose content of cane by 25 per cent. Whatever might be the approach to the problems relating to the sugar industry it should not be overlooked at any stage that the potentialities for growth are immense and narrow political or economic considerations should not obscure the national angle.

Transformation Through Planned Development

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"TRANSFORMATION" MAY be considered to be a modest version of Rostow's "take-off". The "take-off" requires a massive set of pre-conditions going to the heart of a society's economic organization, its policies and its effective scale of values. All these factors, no doubt, have an important bearing on the making and the transformation of a society from the status of "underdeveloped" to a "developing" one. Transformation under planned economic development is an ongoing process—transformation of the basic parameters, both economic and non-economic.

If conducted successfully, the process of "transformation" will necessarily attain and maintain a suspensory pace in the growth of the economy. The task of transformation begins with the following "sub-transformations" :

(i) Change in the level of saving (and investment),

(ii) Change in the occupational pattern in the economy,

(iii) Change in the nature of technology,

(iv) Change in the pattern and partners in international trade, and

(v) Change in the quantity and quality of population.

The changes suggestive of these "sub-transformations" are, obviously, to be conducive to the process of economic growth. More specifically this will mean the following : (i) an increase in saving (investment)-income ratio, (ii) increased transfer of working force from agriculture to non-agriculture sectors, (iii) indigenously oriented advanced technology, (iv) trade in diversified semi-finished and finished products, and with an enlarged and diversified group of countries, and (v) decrease in the rate of population growth and improvement in the skill of people.

The Net Result

It is quite possible that in the initial stages of development, a number of sub-transformations may not work in the directions suggested above. However, the net result of these sub-transformations must show up in the form of an improved level of saving (and investment), both financial and physical. It is the level of saving which must reinforce the ongoing process of transformation.

A successful development planning process must have three features—sophistry, strategy and suspensory. Suspensory is defined as something that suspends or holds up. In other words a typical development plan should reveal (a) the necessary sophistry in planning, (b) the appropriate strategy in planning, and (c) it should be suspensory in pace.

Formulation of Economic Models. The sophistication of a development plan is featured by use of an economic model. An economic model is an organized set of relationships that describes the functioning of an economic entity, whether it be a household, a single industry or a national economy, under a set of simplifying assumptions. Whether a system of such relationships, which constitutes an economic model, is explicitly formulated or implicitly assumed is not important. The soundness of a programme will depend largely on whether and to what extent the relevant relationships have been taken into account in formulating it. The art of economic model construction is to select and include only those elements that most affect the outcome.

All of the models used in development programming are basically similar because they describe the same set of economic phenomena, except that in certain models some relationships are selected as being of greater importance for a given situation. Many of the most familiar models of economic development rather myopically stress the role of capital saving and investment. A number of them concentrate upon the transfer of resources from subsistence agriculture to commercial industry.

Various Models

Furthermore, in planning economic development, one or more of the various types of models may be used at differnt stages of economic development of a particular country. Broadly speaking there are three types of models, viz : (i) aggregate models, which apply to the entire economy and deal with production, consumption, investment and the like as single aggregates; (ii) sector models, which apply to individual sectors; and (iii) inter-industry models, which are concerned with the relationships of productive sectors of an economy with each other, and of each of the sectors with other entities of the economy. Whereas aggregate models are used to determine possible growth rates in national income and the sector models are used to determine levels of production by economic sectors, the inter-industry models serve to determine the demand for intermediate products and capital goods (including imports). It is the latter which provides for mutually consistent set of production levels by economic sectors. It may, however, be added that this classification is to a great extent arbitrary, since, in practice, the dividing lines are not always so clear cut.(1)

To quote Jan Tinbergen and Hendricus C. Bos :

"...the core of a development plan should be formed by some type of mathematical model. Such a model, or a combination of them for various stages, has clear advantages typical of systematic treatment. Outstanding general advantages are clarity and consistency, that is the avoidance of inner contradictions...Therefore, it goes without saying that the models to be used must be complete in the sense that they cover the whole economy and do not overlook phenomena of vital importance."(2)

Besides the task of formulating a mathematically consistent macro model(3), the sophistry of development planning entails that a particular model applied to a certain economic environment must embody an element of growth. That is, it must

1. To this effect a number of cases are cited in United Nations, Department of Economic and Social Affairs, "Use of Models in Programming", 'Industrialization and Productivity', Bulletin 4, April 1961, p. 7-15.
2. Jan Tinbergen and Hendricus C. Bos, 'Mathematical Models of Economic Growth', McGraw-Hill Book Company, Inc., New York, 1962, p. 116.
3. The sophistication of these models may range from simple input-output matrices to more complicated linear programming models.

stress, rather specify, certain economic contours or parameters which accelerate the rate of growth in the economy. In this connection, much emphasis is placed on capital formation. This is quite obvious because any plan for increasing production, productivity or employment must involve huge amounts of capital investment.

Accent on Capital Factor. The thesis that capital is the most important determinant of economic growth has received considerable attention at the hands of analytical economists. Whether it has been offered in the form of a short term or a long term theorem and whether a particular formulation is basically static or dynamic in character (4), it is certainly conspicuous in development planning. The crux of the hypothesis may be gathered in a simplified version of the well-acclaimed and equally criticised version of the Harrod-Domar type formulation. Although the Harrod-Domar approach was originally evolved with reference to developed economies, its value as a tool of analysis in regard to a developing economy could not be undermined.

Let us take "Y" for the level of national income and "t" for time period. Then the expansion of income between two periods "t-1" and "t" is indicated by Yt—Yt-1 and let us call it delta Y (i.e., increment in income between the two periods). Then we have the identity:

$$Y_t - Y_{t-1} = \Delta Y$$

Now if "It" is the net investment in period "t" and C/O is the capital-output ratio (e.g., if the original stock of capital at the beginning of the period under consideration is 500 and the net output obtained from a year's use of this stock along with other factors is 100 then the capital-output ratio (C/O) is 500 : 100 or 5 : 1) then we have:

$$\Delta Y = I_t \times \frac{O}{C} \qquad (1)$$

Where O/C is the reciprocal of the capital-output ratio, O/C is also sometimes called the "productivity ratio". In other words the expansion of national income between two periods of time is equal to the total increase in productive capacity resulting from the net investment amounting to It (that is why net investment It has been multiplied by the productivity ratio O/C).

Now we divide both sides of equation (I) by Yt and we have:

$$\frac{\Delta Y}{Y_t} = \frac{1}{Y_t} \times I_t \times \frac{O}{C}$$

$$\text{or } \frac{\Delta Y}{Y_t} = \frac{I_t}{Y_t} \cdot \frac{O}{C} \qquad (2)$$

But delta Y/Yt is the same thing as "g" which indicates the rate of growth of output of the society. That is, the rate at which a society will have to expand its capacity to produce. Now equation (2) can be written as follows:

$$g = \frac{I_t}{Y_t} \cdot \frac{O}{C} \qquad (3)$$

But for every level of income and employment, investment is equal to saving; therefore we can say that It=St (where St is the volume of saving in period "t"), so that we have:

$$g = \frac{S_t}{Y_t} \cdot \frac{O}{C} \qquad (4)$$

If we call St/Yt the savings-output (or income) ratio then we find from equation (4) that the rate of growth is determined by the savings-income ratio and the reciprocal of the capital-output ratio. The equation above presents in a nutshell the main idea of the growth equation conceived by professors Harrod and Domar.

Now suppose that in the beginning of the planning period it is found that the ratio of capital to annual output is 5 to 1, then C/O is 5/1 and its reciprocal i.e., O/C (the productivity ratio) is 1/5; and if the planners decide to expand the society's capacity to produce by 3 per cent per annum (i.e., "g" the rate of growth is 3 per cent or 3/100) then with the help of the Harrod-Domar formula, they will be in a position to find out the value of the savings-income ratio (i.e., S/Yt). If in our equation (4) we write 3/100 for "g", 1/5 for O/C and "x" (the unknown term) for St/Yt then solving equation (4) we shall find that x=15/100. In other words, if the capital-output ratio is 5 to 1 then a society will require to save 15 per cent of its annual income, if its rate of growth of output is to be 3 per cent per annum. Having discovered this the planners would chalk out the plan in such a manner that the community is saving 15 per cent of its annual income every year during the planning period. Given the capital-output ratio, the target rate of growth of output during the planning period determines the average (annual) rate of savings. Thus the fundamental task of the planners would be to find out suitable methods for generating within the economy the required volume of savings during the planning period. The planners should also take proper steps for the effective mobilization and utilization of this saving in a manner which would facilitate the fulfilment of the investment targets of the plan.

Self-Sustaining Growth

Given the relationships suggested above, it would seem that the Harrod-Domar approach will invariably lead to accumulative self-sustaining growth. This will not be the case when the set of relationships is changed. In fact, under a different set of parameters, particularly a high rate of population growth, it may be possible to describe the process of self-sustaining stagnation within the framework of the same equation.

To quote Hans W. Singer:

"Let the rate of net investment be 6 per cent, the capital-output ratio 3 : 1, and the rate of population growth 2 per cent per annum, and the Harrod-Domar equation describes a state of uttar stagnation which will continue indefinitely until a new element enters the situation to change either the rate of investment or the capital-output ratio or to change the rate of population growth."(5)

4. In a broader framework, such theories in economic literature are identified as the capital stock adjustment theories. The pioneering work may be traced to the following:
   (i) R. F. Harrod, "An Essay in Dynamic Theory", 'Economic Journal', XLIX, 1939. pp. 14-33;
   (ii) E. D. Domar, "Capital Expansion Rate of Growth and Employment", 'Econometrica', XIV, 1946, pp. 137-47;
   (iii) S. C. Tsiag, "Rehabilitation of Time Dimension of Investment in Macro-dynamic Analysis", 'Economics,' XVI, 1949, pp. 204-17;
   (iv) R. C. O. Matthews, "Capital Stock Adjustment Theories of the Trade Cycle and the Problem of Policy", in 'Post-Keynesian Economics,' Kenneth K. Kurihara, ed., London, 1955, chap. 7;
   (v) Joan Robinson, 'The Accumulation of Capital,' London, 1956.

In fact, a number of economists have recently come to believe that in developing countries the parameters of the Harrod-Domar approach are more in line with what is suggested above, which, accordingly, must result in cumulative stagnation. This might be a matter of fact or a case of under-estimation of a particular development process. The main inference one may draw, however, is that relatively speaking the capital factor plays an important role in the process of economic development.

To what extent one may apply the Harrod-Domar type approach in analyzing, more than accelerating, the process of economic development, will, indeed, depend on a number of other factors. In the case of 'balanced growth', when during the planning period consumption, investment, and incomes grow at the same rate and as a result the saving-income ratio and the capital-output ratio remain constant, we are in a position to apply the Harrod-Domar formula satisfactorily. However, in the case of planning with 'unbalanced growth' we do run into difficulties. This is because during the planned period the saving-income(6) ratio and the capital-output ratio would change.

One way would be to make an estimate of the rate of growth of output, capital-output ratio, and saving-income ratio, for each year which would enable the planners to find out correctly the amount of effort necessary during each year of the plan-period. This might explain a recent trend in a number of countries to emphasize the importance of annual planning in a broader framework of five-year plans or what are known as prospective plans.

Whether a particular development process is pursued in accordance with balanced or unbalanced technique of planning it will, undoubtedly, have definite implications regarding the applicability of the Harrod-Domar type analysis. However, even on separate grounds the question of adopting an appropriate strategy is indispensable in planning economic development.

Strategy in Planning

Balanced Growth. One of the most widely discussed strategies of development is that known as the 'balanced growth' connected with the name of Professor Ragnar Nurkse. Under this strategy of development planning it is advocated that balanced growth be achieved through a wave of capital investment in a number of different industries. Nurkse considers this method essential in overcoming the vicious circle of low productivity, because of lack of capital, and lack of capital because of the small size of the markets. Accordingly, a more or less synchronized application of capital to a wide range of different industries would break this vicious circle and result in an overall expansion of the market.

To quote Professor Nurkse:

"What is it that breaks the deadlock? ... the difficulty vanishes in the case of a more or less synchronized application of capital to a wide range of different industries. Here is an escape from the deadlock; here the result is an overall enlargement of the market. People working with more and better tools in a number of complementary projects become each other's customers. Most industries catering for mass consumption are complementary in the sense that they provide a market for, and thus support, each other. This basic complementarity stems, in the last analysis, from the diversity of human wants. The case for 'balanced growth' rests on the need for a 'balanced diet'."(7)

The case for this particular strategy of planning is further justified on the grounds that balanced growth serves as a means of stepping up the rate of growth when the external forces of advance, through trade expansion and foreign capital, are sluggish or inoperative. Similarly, it is suggested that in the existing state of affairs in low-income areas, the introduction of capital-intensive techniques in production in any single industry is inhibited by the small size of the market. This is where it is believed that the self-sustaining investment in diversified fields will provide adequate incentives for private investment. It may, however, be added that Nurkse did not find it necessary to advocate formalized planning under such circumstances. This is obviously a mistake. In the initial stages of development, and to attain a proper synchronization of investment in diversifed fields, it becomes necessary to assign the task to a planning agency.

The Major Question

The question then arises to what extent this particular strategy deserves merits over other strategies, or to what extent this may be applied in the case of a given country characterized by a lop-sided development. Obviously there will not be any problem in applying this strategy if the process of development were to start from scratch. Similarly, the strategy of balanced growth in its specific technical sense does offer a way of solving, or rather bypassing, the marketing difficulty. Under this sort of diversified investment, as against the project approach where individual projects can support each other, the productivity of investment can be significantly increased. As a result there could be widespread expectations among the individual entrepreneurs sufficient to provide the necessary inducement to invest.

The fundamental trouble with balanced growth strategy is its failure to come to grips with the true problem of developing countries, viz., the shortage of resources. "Think Big" is no doubt a sound advice to such countries, but to "Act Big" is not realistic as it spurs them on to do more than their resources permit.(8) Again, the assumption that a developing country starts from scartch is not factual. In reality, every developing country starts from a position that reflects previous investment decisions and previous development. Thus, at any point of time, there are highly desirable investment programmes which are not in themselves balanced investment packages, but which represent unbalanced investment to complement existing imbalance. Now, if such an investment is made, a new imbalance is likely to appear which will require still

5. Hans W. Singer, 'International Development: Growth and Change,' McGraw-Hill Book Company, New York, 1964, p. 10.
6. Professors Modigliani and Duesenberry, in the following work, based on an econometric model connected with a mature economy have shown that long-run flow of saving usually behaves differently from the short-term flow:
   (i) Franco Modigliani, "Fluctuations in Saving-Income Ratio", 'Studies in Income and Wealth,' Vol. II.
   (ii) J. S. Duesenberry, 'Income, Saving and the Theory of Consumer Behaviour,' Harvard University Press, 1949.
7. Ragnar Nurkse, 'Problems of Capital Formation in Underdeveloped Countries,' Oxford University Press, New York, 1964.
8. Nurkse himself took a leading part in relating the Schumpeterian idea to the marketing deadlock in developing countries and thus stressed the idea of expanding markets by balanced investment packages, but admitted the limitation of this strategy. He states that there is no suggestion that by taking care of the demand side alone, any country could, as it were, "lift itself by its bootstraps".

another "balancing investment" and so on. This brings us to the discussion of an alternate strategy, implicit to the proceding comment on unbalanced growth.

Unbalanced Growth. The notion that "imbalance" may be more appropriate for planning economic development in a developing area, besides being inevitable, has been popularized by professors Albert O. Hirschman and Hans W. Singer. It is suggested that certain investments will create new investment opportunities and so provide a stimuls to further economic development. In fact, assuming they do not have too low a rate of return compared with other alternatives, the best investments may not be those that restore "balance" into the economy but rather lead it away from its equilibrium.

To quote Hirschman:

> "In general, development policy....must keep alive rather than eliminate the disequilibria of which profits and losses are symptoms in a competitive economy. If the economy is to be kept moving ahead, the task of development policy is to maintain tensions, disproportions, and disequilibria. The nightmare of equilibrium economics, the endlessly spinning cobweb is the kind of mechanism we must assiduously look for as an invaluable help in development process."(9)

Similarly, Singer, who definitely favours the unbalanced growth of strategy in planning, suggests:

> "......It may well be better in development strategy to concentrate available resources on types of investment which help to make the economic system more elastic, more capable of expansion under the stimulus of expanded markets and expanding demand."(10)

In planning economic development, a developing country will find the strategy of unbalanced growth to be a more realistic and effective solution, particularly in view of the low saving co-efficient. Planning with unbalanced growth is, indeed, an extraordinary technique as it aims at accelerated economic development within the shortest possible time. With more increase in investment in the capital goods sector, there would be an automatic increase in the productivity of the basic industries. This would produce two important effects. Firstly, there would be a further expansion of the domestic market. Secondly, the supply of tools and equipment for meeting the demand of consumer goods would increase and, most probably, their price would considerably fall in the long run. As a result of this, the subsequent development of consumer goods industries would be quite rapid. Thus, the market growth of heavy industries would create a proper capital pace, which would generate the necessary sustaining power in the course of future rapid economic development.

Besides the above, the heavy industries would help each other, grow fast in a sort of spiral, and would out the whole economy on accelerated rate of growth. As a result, after a time lag, the rate of growth of the consumption goods sector would asymptotically reach the rate of growth of the capital goods sector and subsequently this would lead to a balanced process of development. The resultant harmony between the process of growth in the different sectors of the economy would lead to an increase in the saving-income ratio.(11)

Inspired by Professor Mahalanobis's Draft Plan Frame, the Planning Commission in India adapted the unbalanced technique of planning, particularly for the second five-year Plan. It also coincides with historical experience. In no country, including England, during the Industrial Revolution, has development been a process of balanced growth in all major sectors. There were always one or more leading sectors in which technical progress and increases in output were particularly rapid. Similarly, in the case of France, each of the successive plans had a completely different emphasis, yet the net result of these policies has been to improve the balance as well as the dynamism of the French economy. It may, therefore, be concluded that the generally approved objective of an economy may best be achieved by investment policies which, at each particular stage, have a different emphasis and are unbalanced in a different direction.

The "Big Push". The opinion that a more dynamic approach should be adopted has gradually gained acceptance. As a strategy of planning, it is contended that a minimum effort or "big push", is needed to overcome the initial inertia of a stagnant economy and to start it moving towards higher levels of production and income. The strategy of big push is associated with the names of Rosenstein-Rodan and Harvey Liebenstein. Rosenstein-Rodan, who in his original paper stressed the limitations imposed by the size of markets(12), has more recently restated his argument in terms of three indivisibilities, viz., (i) indivisibility in the production function, specially in the supply of social overhead capital ("lumpiness" of capital), (ii) indivisibility of demand, or the complementary character of demand and (iii) indivisibility in the supply of savings(13). He asserts that owing to these indivisibilities the effects of a gradual development, proceeding bit by bit, will not add up to the sum total of the single bits and start the economy on the road to development. Accordingly, a minimum quantum of investment is an essential condition for the success of the development process.

To quote Rosenstein-Rodan:

> "There is a minimum level of resources that must be devoted to... a development programme if it is to have any chance of success. Launching a country into self-sustaining growth is like getting an airplane off the ground. There is a critical ground speed which must be passed before the craft can become airborne......A minimum quantum of investment is a necessary (though not sufficient) condition of success".(14)

Liebenstein, in presenting the case for big push, uses a series of diagrams. In effect, he seeks to generalize the argument concerning the population trap. He argues that the development effort is a struggle between income-raising and income-depressing forces. Population, according to him, is the most important depressant. Further, it is only beyond a particular point that the income-raising forces win permanently and the economy grows indefinitely. Liebenstein, like Rosenstein-Rodan, declares that it is not possible to inch along the way to the income-raising level. According to him, the economy must make the full distance in one leap or it does not make it at all.

9. A. O. Hirschman, 'The Strategy of Economic Development,' Yale University Press, New Haven, 1958, p. 66.
10. Hans W. Singer. 'The Concept of Balanced Growth and Economic Development: Theory and Facts,' University of Texas Conference on Economic Development, April 1958, p. 10.
11. The Russians were the first to adopt this strategy. During their first five-year Plan an increased emphasis was deliberately placed on the heavy industries. During the said Plan, 86 per cent of the actual investment in industry was in capital goods and only 14 per cent in consumer, goods. See 'Bulletin on Russian Economic Developments,' May 1948, p. 5.
12. P. N. Rosenstein-Rodan, "Industrialization of Eastern and South-eastern Europe", 'The Economic Journal,' 1943. Rosenstein-Rodan used the famous example of the shoe factory to support his point and it is interesting to note that the same case was cited by Nurkse in support of balanced growth.
13. 'Notes on the Theory of the Big Push', Centre for International Studies, Massachusetts Institute of Technology, March 1957.
14. P. N. Rostenstein-Rodan, Op. Cit., p. 47.

Since its original enunciation by Rosenstein-Rodan, the strategy of big push has been justified on the possibility of realizing extensive external economies and this ground is still a favourite with nearly all writers of this pursuasion. Professor Jacob Viner's contention that foreign trade makes available to developing countries much more substantial economies realized upon world markets(15), independently of home investment, does not in any way undermine the significance of the latter. In fact, the strategy of big push, as seen in conjunction with that of balanced growth, gains added support for a programme of large investments. The question, however, remains about the possibility of locating sources for such huge investment plans. Given the low rate of savings and the not very encouraging prospects for a large number of developing countries to be able to arrange the necessary resources from abroad, the issue boils down to adapting an alternate strategy or a combination of strategies in planning economic development.

A Balanced "B.U.B.". The three letters in "B.U.B." are suggestive of balanced, unbalanced and big push as the three alternate strategies or techniques of planning economic development. It may be inferred from the discussion above that there is no single strategy which may be used in toto for planning economic development. In fact, the very nature of development economics does not lend itself to simple strategies the way static income theory does.

Important Features

As discussed above, in selecting, rather adapting, a particular strategy in planning, among others the following important features of a typical developing economy, must be taken into consideration: (a) that the ongoing process of investment and development is lop-sided; (b) that the occupational distribution in a number of developing countries is presently more in favour of agriculture as against the non-agriculture sector; (c) that by and large there is a relatively higher rate of population growth in such an economy; (d) that there is a low saving income ratio; and (e) that there is an urgent need for free investment infrastructure.

In view of the above, it must be asserted that there is a need to strike a proper balance not only between (a) physical conditions and financial conditions, (b) crosswise and backward inter-industry, but that it is also necessary to exercise a balance in the very strategy of planning. This might imply the adaptation of different strategies at different stages of economic development and/or a blending of certain important facets of different strategies. It would seem obvious that in view of the conspicuous imbalances in investment, counter-imbalances will be the appropriate cure in the initial stages. However, once a sort of appropriate balance is attained, also made possible by a fair dose of big push (to the extent that the country concerned can afford with domestic and international resources) the strategy of balanced growth may be applied for further planning. It may, therefore, be concluded that any attempt to attain the process of development, self-sustaining or suspensory in character, must be pursued under a strategy of balances—more specifically, a balanced "B.U.B.".

Economic Parameters. The classical theory of production is formulated under essentially static assumptions, which freeze —or permit only once-over change—in the variable most relevant to the process of economic growth. Economic development, in fact, is a concept relative in time, space, and pace. Scarcely two centuries ago most of the countries that are today highly developed and industrialized were underdeveloped to at least the same degree as the countries of Latin America, Asia and even Africa today. The process of development will not be complete, despite the sophistication and the adaptation of an appropriate strategy, unless it promotes a somewhat suspensory rate of growth. The term suspensory is defined as something that suspends or holds out. This is indeed a modest term as compared to "self-sustained growth"—derived from the famous aeronautical metaphor connected with the mechanics of "take-off".

Complex Process

Economic development is a complex process, in which economic and non-economic factors are closely interwoven. Development is, therefore, not only economic growth, but growth plus change: social, cultural and institutional, as well as economic. So far as economic parameters are concerned, as discussed earlier in connection with the formulation of models and the strategies to be adopted, it would appear that factors such as capital accumulation, population growth, discovery of new resources and technological progress are relevant. These four factors are further inter-related in various ways. Indeed, theories of economic development differ mainly with regard to the nature of these relationships. Yet, the scholars and practitioners of planned economic development recognize that unless "barriers", "obstacles", and/or "bottlenecks" are eradicated or overcome, the pace of development may not be either suspensory or anywhere close to "self-sustaining". Much has been said in regard to economic parameters in the discussion in the earlier part of the text; it may be appropriate to devote some attention to non-economic parameters.

Non-Economic Parameters. To attain and maintain a suspensory pace in economic development the main requirement is to generate a change: necessary rate and volume of change in regard to economic factors such as capital accumulation, population, new resources, and technological progress, as well as in a number of non-economic factors.

To quote professors Baldwin and Meier:

> "The psychological and sociological requirements for development are as important as economic requirements. They deserve full consideration in their own right ... It is obvious that some institutional changes which are not merely economic must accompany successful development efforts. Economic development of sufficient rapidity has not taken place within the present cultural framework. New wants, new motivations, new ways of production, new institutions, need to be created if national income is to rise more rapidly".(16)

It would be widely agreed upon that a new elite must emerge and be given scope to begin the building of a modern industrial society. It is essential that the members of this new elite regard modernization as a possible task, serving some end they judge to be ethically good or otherwise advantageous. More generally, in rural as in urban areas, the horizon of expectations must lift: men must become prepared

15. Jacob Viner, "Stability and Progress: The Poorer Countries", 'Stability and Progress in the World Economy,' Douglas Hague (ed.), New York, 1958.
16. G. M. Meier and R. E. Baldwin, 'Economic Development', Wiley, New York, 1957, pp. 355-59.

for a life of change and specialized function. It is here that a developing economy would find a class of entrepreneurs so essential to bring about the necessary change, both social and economic.

Economic development, according to Professor McClelland, depends upon vigorous activities of a number of individuals who behave in an entrepreneurial fashion. What makes an individual behave in this fashion is a motivational complex not entirely understood as yet, but containing a strong need for an achievement. Professor McClelland stresses that there is both direct and inferential evidence that this motivational complex has been in shorter supply in poor countries than in rich countries. He concludes, therefore, that if substantial economic development is to occur in poor countries the number of individuals with the entrepreneurial motivational complex and particularly with high "n-Achievement" will have to be significantly increased.(17)

Again, in a number of economically less developed societies, some indigenous cultural values and institutions, in which these values are partly reflected, may stand in the way of economic development. If strong forces pushing for modernizations are absent, certain aspects of traditional cultures will be inimical even to limited economic change. De-emphasis of the material and of the present as contrasted with the esoteric, the spiritual and other worldliness hardly stimulates one to hard work. It is not likely to provide a rational mechanism of incentives and rewards.

The pattern of values of a people may eventually be reflected in, and partly be attributed to, their educational system. Developing economies, as a rule, suffer from severe shortages of technicians, managers, agriculturalists, and generally of people trained to operate productively. A recent FAO study of the development possibilities of the Mediterranean region observed not only serious quantitative deficiencies, but also qualitative shortcomings of the educational systems of the region.(18)

All of the abovementioned bottlenecks could possibly explain the lack of Schumpeterian entrepreneurship in a developing society. Schumpeter, of course, did not attempt to provide a complete psycho-sociological theory to support his view of the nature of an entrepreneurial class in a developing country. However, Professor Walt W. Rostow in his well-known work "The Stages of Economic Growth", does include such elements when he identifies the process of economic development into five stages(19).

Yet, Rostow's explanation basically remains a historical one. Any attempt to interpret economic development as a historical phenomenon would, at best, offer policy makers a background to the underdeveloped status of their economy. It could not possibly afford them a well balanced technique for planning economic development. Given the various economic parameters, it is the psycho-sociological interpretation that can guide the planners in initiating and maintaining the process of ongoing transformation.

17 D. C. McClelland, "Community Development and the Nature of Human Motivation: Some Implications of Research". Conference on Community Development and National Change, M.I.T., CIS, December 1957.
The following study also confirms McClelland's assertion regarding the shortage of entrepreneurs in developing societies: Mario J. Levy, "Some Sources of the Vulnerability of the Structures of Relatively Non-Industrialized Societies to Those of Highly Industrialized Societies", in B. F. Hoselitz, 'The Progress of Underdeveloped Areas,' University of Chicago Press, Chicago, 1952, pp. 113-125.

18. FAO, 'Mediterranean Development Project,' Rome, 1959, p.39.

19. Walt W. Rostow, 'The Stages of Economic Growth,' Cambridge University Press, Cambridge, 1960.
The five stages identifed by Prof. Rostow are: (1) The traditional society, (2) the pre-conditions for take-off, (3) the take-off, (4) the drive to maturity, and (5) the age of high mass consumption.

Good riddance to Imperialism, the last stage of capitalism!
All honour to Ashokaism, the first stage of socialism!

Giants at Sea

Our Special Correspondent

THE TWO biggest factors in the technological progress which is revolutionalising world shipping are the emergence of (1) giant ships in the transport of bulk cargoes and (2) of containers for general cargoes.

As already discussed in 'Window on the World' on Feb. 16, (page 271), the dramatic changes in bulk carrying, among other consequences, may eventually convert the Suez Canal into a museum piece. This may require India to develop two or three really big deep water harbours if international trade is not to by-pass her coasts.

Between 1960-65, carrying of cargoes in bulk rose in volume by 45 per cent throughout the world, and today two-thirds of this traffic is carried in specially built ships of ever increasing size. The "Cetra Columbia", a French coal carrier, has a gross deadweight of 87,000 tons. This is only a beginning. The majority of bulk carriers are expected to be far larger within 10 years. Such ships require deep water harbours and special equipment for their loading and unloading, with which, the experts expect, comparatively few harbours will be equipped

The progressive increase in the tonnage of bulk carriers is illustrated by the following figures: in 1939, the largest French cargo vessel was 21,600 tons; in 1960, the biggest was 51,300 tons; in 1967, the biggest was 104,900 tons. From 1960 onwards ships of 120,000 tons began to be built, but ships of more than 60,000 tons represented only a quarter of the total tonnage of oil tankers under construction, while the proportion had risen to three-quarters by 1965. One French shipyard is at present building several tankers of 212,000 tons each and the Japanese have orders, on American account, for six tankers of 276,000 tons.

Remarkable Increase

Ships carrying dry cargoes in bulk will probably not attain the size of the giant oil tankers, because their handling and loading would require investments on a scale which would be profitable only if their constant full employment could be guaranteed, which, of course, would be uncertain. Even so, the increase in size of dry cargo carriers is remarkable: the average size of these ships in service throughout the world is now 25,000 tons and others are on order of 80,000 tons.

The construction, maintenance, and exploitation of these giant ships creates new problems. The shipyards must modify their methods, increase the size of their dry docks and be ready to carry out a large part of the work of assembly when the bulk is afloat after launching in order to avoid building excessively long docks. Such giant shipyards are under construction in France, and by 1969 Japan will have yards capable of building and repairing 500,000 ton tankers. Sir John Hunter, President of the (British) Associated Shipbuilders Ltd, has stated that it would theoretically be possible to build ships of 1,000,000 tons.

The newest methods of steel making allow exceptionally strong steels to be used in these ships without increasing total costs. Ships of 500,000 tons will be equipped with engines, possibly nuclear, of some 6,000 h.p. giving a speed of 18 knots.

The economies achieved by these ships are substantial. A 500,000 ton tanker can be manned by the same number of crew as one of 50,000 tons, so that wage bill, which represents 15 to 20 per cent of the running costs, will be reduced tenfold. The turn-round time in harbour is the same whatever the tonnage so that the bigger the tonnage the lower the running costs.

The construction costs, of which depreciation constitutes about one-third of the running expenses of a 60,000 ton tanker, decrease as the size of the ship increases: the Tokio Maru, of 150,000 tons, built in 1965, cost $79.6 per ton, and the Idemitsu Maru of 205,000 tons, just built, cost $73.3 per ton, whereas the average is $100 per ton for a ship of 75,000 tons.

Thus the use of bigger and bigger tankers ensures increasing profitability: the cost of transport per ton/mile, for a voyage of 5,000 miles is divided by 4.3 if a tanker of 150,000 tons is used instead of one of 10,000 tons. Other estimates show that the cost per ton transported is halved by using a 200,000 ton instead of a 50,000 ton tanker, and of course the economy increases with the distance travelled, achieving, when a ship of 500,000 tons is used instead of 350,000 tons, 20 French centimes per ton for the run between North Africa and Le Havre.

Obsolete fleet

The economies achieved by these giant ships enable ship-owners to charge such low prices per ton carried that competition has been intensified to a point at which owners of older ships can no longer compete profitably. Many owners of ships which were expected to have many years of service before them now find themselves saddled with an obsolete fleet and are faced with the necessity of selling their ships. This is creating a surplus of bargain priced ships on the market. The one opening left to obsolete freighters seems to be coastal tramp work.

The number of accidents at sea is, of course, related to the number of ships afloat, but the value of the cargo at risk in the new giants is such that insurance costs are soaring and could become prohibitive if third party risks were enforced. One solution envisaged is that the risks should be reduced by international agreement to enforce one-way traffic in certain areas of the seas and, where necessary, to enforce adherence to definite routes. The size of the ships prevents them from using certain courses and approaches. The Suez Canal at present can take ships drawing no more than 11.6 metres, which corresponds to a deadweight load of 65,000 tons. Work in progress on the canal will allow ships of 70,000 tons to use it, but that will not enable the canal to keep the traffic of tankers coming from the Persian Gulf which constituted three-quarters of the canal's receipts before its closure. It is now more economical to transport 200,000 tons from the Persian Gulf to western Europe in one ship round the Cape of Good Hope than in three ships through the canal. The Egyptians are reported to have plans to deepen the canal to allow tankers of 112,000 tons to use it by 1973, but this means an investment of over $200 million, and who knows what the sizes of ships may then be. Similar difficulties arise for the Panama Canal, for entrance into the Baltic Sea, for the passage of the Straits of Malacca, and even the Straits of Dover may have to be closed to the giants not of the distant but of the immediate future!

Deep Water Ports

No west European port today can handle ships of more than 200,000 tons. Only a few can take 100,000 tonners: Milford Haven and Pennarth in the UK, Rotterdam in the Netherlands, Wilhelmshaven in West Germany, Le Havre and Levera in France, Brindisi, Genoa and Trieste in Italy.

If a harbour is to accommodate these big tankers, it requires a depth of 23 metres for a tanker of 275,000 tons, of 30 metres for one of 500,000 tons and deeper still for one of 700,000 or 10,00,000 tons. Because of the special difficulties of navigating giant ships, the harbour must have an easy approach. The docks must be sheltered from the swell either naturally or by breakwaters, because the size of these ships renders impracticable the construction of an enclosed lock to accommodate them.

Naturally the first ports to be adapted for the use of sea-giants will be those which already have a good infrastructure and are connected by pipelines to refineries. Even so many existing ports cannot be adapted to sea-giants. The question arises therefore: will "relay ports" be created, from which the oil can be redistributed by means of tramp ships whose size would be suitable to existing harbours? The answer will depend on comparative costs: several big oil ports can be adapted to take ships of 200,000 tons. Above that, the economies from exploiting a ship of 500,000 tons (which are estimated at French Frs. 2.00 to 2.50 per ton) are not likely to be sufficient to cover the costs of unloading and reloading and supplementary harbour dues.

It follows that the construction of a relay port in deep water would be necessary if tankers of 700,000 tons or above came into use, but the number of sites suitable for relay ports on this scale are few and far between. Those being constructed, or under study, include one which Gulf Oil has undertaken in Bantry Bay in S. W. Ireland. In the near future, Bantry Bay will start receiving oil transported by six 276,000 ton tankers built in Japan. The oil will thereafter be relayed to several European ports by tramps of 80,000 to 100,000 tons. No less than £10 million is being spent on equipping Bantry Bay harbour, and eventually even bigger ships will be able to use it.

Rotterdam can already accommodate ships of 170,000 tons. A 7½ mile canal is to be built to enable tankers of up to 225,000 tons to reach "Europort" at a cost of French Frs. 700 million. Vast engineering feats will be necessary to enable the port to admit ships of 500,000 tons which will, moreover, have to sail round the north of the British Isles in order to avoid the Straits of Dover. Ships serving West Germany will also have to circumnavigate the British Isles in order to reach Hamburg, when its modernisation is completed, and Heligoland when the new deep-sea harbour envisaged there becomes available.

FROM THE CAPITAL'S CUPBOARD

Technical Collaboration for Koyna Aluminium

THE UNION Ministry of Steel, Mines and Metals, it is understood, has had second thoughts recently on having technical collaboration with the West German firm, M/s Vereinigte Aluminium Werke (VAW), for the setting up of the Koyna aluminium project. The project is to have a capacity to produce annually 50,000 tonnes of aluminium metal, including 25,000 tonnes of electrical grade aluminium wire rods. The West German consultants, who had submitted a detailed project report for the scheme in July 1966, had estimated the cost of the project at about Rs 68.88 crores plus Rs 4.55 crores for the township. Of this, the foreign exchange cost was estimated at Rs 18 crores. The consultants wanted a final say in selecting equipment. The second thoughts on this consultancy arrangement have been prompted primarily by this insistence of the West German firm regarding equipment. The estimate of total cost is also considered by the Ministry to be on the high side.

According to the revised arrangements now under consideration, the Bharat Aluminium Company, under the aegis of which the Koyna project is to be set up in the public sector, will do most of the work relating to the establishment of the project by itself and/or in association with an Indian firm of engineering consultants such as the National Industrial Development Corporation. The process and technical know-how is proposed to be obtained from one of the primary producers of aluminium. The Madras Aluminium Company, the Hindustan Aluminium Corporation, the Russians and the Hungarians (who are associated with the Korba aluminium project) and M/s VAW have been approached to make their offer for technical assistance under the revised arrangement. The Hungarians have already sent their proposals for the job; the replies of others are awaited. No deadline has been fixed for the receipt of offers, but the Ministry hopes that there would not be any undue delay as the implementation of the project has to be taken up at an early date so as to commission it by 1971-72. In the meanwhile, all the preliminary arrangements are being completed. Besides acquiring land and assuring supply of water, the Maharashtra government has agreed to make available the necessary electric power for the project at Rs 205 per kW year.

O.N.G.C.'s PERFORMANCE

By setting up a central control room at Dehra Dun to supervise the country-wide field operations and raising an awakening among their colleagues of their duties, the backroom boys of the Oil and Natural Gas Commission (ONGC) have helped this public sector undertaking to nearly accomplish the 1967-68 target of drilling to a total depth of 201,800 metres; the ONGC drilled 200,144 metres this year. In regard to the number of wells drilled, the target of 72 wells was even exceeded by four wells. The drilling progress in Jammu and Kashmir and in the Cauvery basin, of course, left much to be desired. But the lag in these areas was more than made up in Gujarat and Assam.

This achievement is all the more commendable when note is taken of the fact that before the central control room was set up in October last, the ONGC's drilling operations were trailing very much behind the target. Between April and September 1967, as against the annual target of drilling 72 wells to a total depth of 201,800 metres, only 26 wells to an aggregate depth of 71,200 metres had been drilled.

The ONGC is said to have now made up the leeway in the development of Lakwa and Rudrasagar oilfields in Assam and of Kalol, Nawagaon and Sanand areas in Gujarat. Commercial production in these fields is expected to commence in the next few months. In about two years, the ONGC expects to attain financial self-sufficiency. It is now confident that it will be able to raise its total production of crude oil to the targeted quantity of 6.5 million tonnes a year by 1970-71. This happy performance of the ONGC, however, it is hoped, will not make it complacent. It has still to go some way if the "performance budget target" of drilling annually 110 wells to a total depth of 246,000 metres is to be attained.

E.P.F. INVESTMENTS

The plea of the trustees of the Employees Provident Fund (EPF) that in the interest of raising the return on provident fund accumulations, they should be allowed to invest 50 per cent of the accumulations in state government loans and other government guaranteed securities such as the bonds of electricity and state housing boards, the units of the Unit Trust of India or in the fixed deposits of the State Bank of India, is getting a good measure of support, in principle at least, from the public sector undertakings. One such undertaking has even suggested that with the social control of banks there should not be any objection to the investment of EPF monies in the fixed deposits of commercial banks.

BONUS ACT

The recent reduction in the Bank rate and the abolition of tax on dividends have prompted one of the all-India labour unions to plead for a modification in the formula for determining the surplus out of which bonus is payable to its employees by the corporate sector under the Payment of Bonus Act. The rate of return on capital—paid-up or reserve—for arriving at the surplus, this union contends, had been fixed on the basis of a six per cent Bank rate and in view of the fact that dividend declarations above 10 per cent attracted the dividend tax. Now the circumstances, it argues, have materially changed. The modification in the surplus determining formula, it has been suggested, should be made along with the amending of the Act to give effect to the government's assurances to workers following last year's Supreme Court verdict declaring ultra vires sections 33 and 34 of the Act.

BUFFER STOCK OF SULPHUR

The State Trading Corporation, it is understood, is toying with the idea of having a small buffer stock of sulphur with a view to obviating the unhappy experience of early last year when the price of the commodity in the country rose to nearly Rs 1,300 per tonne. Currently, the STC has approximately 2,000 tonnes of sulphur in stock. It has contracted for sale during the current calendar year to the order of nearly 100,000 tonnes. The incoming shipments will, by and large, suffice for the contracted sales, making only a small dent on the stock in hand which is proposed to be utilized primarily for serving the ad hoc demands of small consumers. Notwithstanding the loss incurred by it on imports of sulphur from Poland, the STC is confident that its overall trading in the commodity will not result in any net loss. There might be some net surplus. The loss on Polish sulphur arose because of two reasons. First, the f.o.b. price ($69 per tonne) in this case was higher by $5 per tonne compared with the price paid for supplies from other sources. Secondly, the closure of the Suez canal led to an increase of about $6.10 per tonne in freight as the shipments had to come via the Cape of Goodhope. After great pursuasion, the Polish suppliers agreed to share 50 per cent of this increase in freight.

THE CENTRAL BANK OF INDIA LIMITED

Authorised Capital	Rs. 10,00,00,000
Subscribed Capital	Rs. 8,96,19,250
Paid-up Capital	Rs. 4,74,34,625
Reserve Fund and Other Reserves	Rs. 7,39,06,800
Total Deposits Exceed	Rs. 391 Crores
Total Working Funds Exceed	Rs. 421 Crores

Registered Office: CENTRAL BANK BUILDING, MAHATMA GANDHI ROAD, BOMBAY-1

(ESTABLISHED 1911)

SEVENTY-THIRD REPORT OF THE BOARD OF DIRECTORS

Gentlemen,

The Directors beg to place before the Shareholders the Balance Sheet and Profit and Loss Account for the year ended 31st December, 1967.

The Net Profit for the year before charging Bonus to Staff amounted to Rs. 2,29,72,594.00 and after providing Bonus to Staff of Rs. 1,10,00,000.00 leaves a balance of Profit of Rs. 1,19,72,594.00 which together with the sum of Rs. 17,347.52 brought forward from the previous year's account amounts to Rs. 1,19,89,941.52.

The following appropriations have been made :—

Previous Year Rupees		Rs. P.
45,86,909	An Ad-Interim dividend was paid for the half year ended 30th June, 1967 at the rate of Rs 2.40 per share, subject to tax on 19,11,271 shares	45,87,050.40
45,28,000	Amount transferred to Reserve Fund	23,95,000.00
43,00,000	Amount transferred to Special Reserve	49,70,000.00
17,347	To carry forward to next year's account	37,891.12
1,34,32,256		1,19,89,941.52

The Directors recommend to the Shareholders payment of a final dividend as follows :—

To pay a final dividend for the year ended 31st December, 1967, at the rate of Rs. 2.60 per share subject to tax, on 19,11,287 shares (making in all 20% gross for the whole year)	49,69,346.20

The Bank's business during the year showed satisfactory progress. During the year, 4 Branches, 10 Sub-Branches and 14 Pay-Offices were opened at various centres, while no offices were closed.

There has been no change in the position regarding the five branches of the Bank in Pakistan and the latest available figures of assets and liabilities continue to be those as at 30th June, 1965. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

In the previous year's Report, the attention of the shareholders had been drawn to the increase in the Capital structure of the Company, which had taken place on account of the implementation of the Scheme prepared by the Reserve Bank of India and sanctioned by the Central Government for the amalgamation of the Jodhpur Commercial Bank Ltd., with our Bank. Accordingly, 1,370 ordinary shares of our Bank were allotted during the year under review to the former shareholders of the Jodhpur Commercial Bank Ltd.

A further allotment of shares of the Company will have to be made to the Shareholders of the said Jodhpur Commercial Bank Ltd., who have not exercised the option to receive cash and have accordingly become entitled to shares of equivalent value of the Company.

In terms of the Resolutions passed at the Extraordinary General Meeting of the shareholders held on 16th December, 1963, sanctioning increase of Capital, 381 ordinary shares were allotted during the year under review in addition to 1,376 shares allotted to the former shareholders of the Jodhpur Commercial Bank Ltd., as mentioned above.

As the shareholders are aware, in view of the Central Government's declared policy of Social Control over Banks, a bill has been introduced in the Parliament, entitled "The Banking Laws Amendment Act 1967." The Central Government through the Reserve Bank of India has advised all commercial banks that even before the Bill becomes law all Banks should try and implement the provisions of the said Bill.

This Bill inter alia provides that not less than 51% of the total number of the members of the Board of Directors of a

Banking company shall consist of persons who have special knowledge or practical experience in respect of one or more of the following matters, namely, accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, any other matter, the knowledge and experience in which would in the opinion of the Reserve Bank be useful to the Banking company provided that out of the aforesaid number of Directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry. It also provides that every Banking Company shall have a Chairman of its Board of Directors who shall be entrusted with the Management of the whole of the affairs of the banking company and every such Chairman shall be in the whole-time employment of the banking company.

In order to enable the company to comply with the provisions of the aforesaid Bill, an extraordinary general meeting of the shareholders of the Company was held on 8th March, 1968 for the purpose inter alia of amending certain Articles of Association of the Company.

Pursuant to the provisions of the Bill, the Board of Directors of your company had to be re-constituted and therefore certain Industrialist Directors had to resign. Mr. D. M. Khatau and Mr. C. B. Parikh therefore resigned from the Board of Directors on 6th March, 1968 and in their respective places, Mr. Tribhuvandas K. Patel and Mr. B. V. Nimbkar were appointed new Directors representing "co-operation" and "agriculture and rural economy" respectively.

After the extraordinary General Meeting held on 8th March, 1968, Sir Homi Mody resigned as a Director and Chairman of your company with effect from 9th March, 1968 and in his place Mr. Russi Jal Taraporevala was appointed a new Director representing "Economics" and "Small-Scale Industry."

Mr. V. C. Patel the former General Manager of the Company was appointed an additional Director on 8th March, 1968 and Chairman and Chief Executive of the Company as from 9th March, 1968.

During the year under review, His Exalted Highness Mir Barkat Ali Khan Bahadur, Nizam of Hyderabad, resigned from the Board of Directors on 14th June, 1967 and your Directors appointed Dr. R. C. Cooper in his place as Director of the Company.

The Board places on record its appreciation of the valuable services rendered by Sir Homi Mody, His Exalted Highness Mir Barkat Ali Khan Bahadur, Nizam of Hyderabad, Mr D. M. Khatau and Mr. C. B. Parikh during the time they were on the Board of Directors of the Company. The Board in particular expresses its deep gratitude to Sir Homi Mody for his valued assistance and wise counsel and for having guided the destiny of the Institution as its Chairman for about 30 years.

In view of the Provisions contained in Article 119 of the Company's Articles of Association read with Section 262 of the Companies Act, 1956, Mr. Russi Jal Taraporevala, Mr. Tribhuvandas K. Patel and Mr B. V. Nimbkar hold office upto the Annual General Meeting of the company to be held on 26th April, 1968 when the Directors in whose places they have been respectively appointed would have retired by rotation. They are eligible and offer themselves for re-appointment.

Your Director, Mr. S. Khambata, retires by rotation under Article 133 of the Company's Articles of Association read with Section 256 of the Companies Act, 1956, and is eligible and offers himself for re-appointment.

Under Article 120 of the Company's Articles of Association read with Section 260 of the Companies Act, 1956, Mr V. C. Patel, who has been appointed additional Director will hold office upto the date of the Annual General Meeting of the company to be held on 26th April, 1968 and being eligible offers himself for re-appointment. On his being re-appointed by the Shareholders, he will continue to be the Chairman and Chief Executive of the Company.

Shareholders are requested to appoint Auditors and to fix their remuneration.

The attention of the Shareholders is again drawn to the Directors' Report of the previous year regarding the dissolution of the Bank's Subsidiary, the Depositors' Benefit Insurance Co. Ltd. The necessary Certificate from the Ministry of Finance, Government of India, allowing the dissolution of the Subsidiary Company has not yet been received.

V. C. PATEL,
Chairman.

Bombay, 14th March, 1968.
Registered Office :

Central Bank Building,
Mahatma Gandhi Road,
BOMBAY-1.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

(a) The Bank's interest in its Subsidiary, The Central Bank Executor & Trustee Company, Limited, as at 31st December, 1967, comprised of 2,000 shares of the face value of Rs. 1,000 on each of which Rs. 500 per share has been paid up.

(b) The undistributed balance of profit of the Subsidiary Company as at 31st December, 1967, after a transfer out of the profits for the year of Rs. 30,000 to General Reserve amounted to Rs. 1,833.34 which has been carried forward in the accounts of the Subsidiary. There is also a balance of Rs. 4,85,000 in 'General Reserve, and Rs. 1,26,723.13 in 'Investment Fluctuation Reserve.'

(c) The net aggregate amount of Rs. 11,76,322.50 received as dividends from the Subsidiary Company for its previous financial years, since its inception as a Subsidiary Company, have been dealt with in the Profit and Loss Account of the Bank in the relevant years.

V. C. PATEL, Chairman. C. H. BHABHA, Vice-Chairman.

JAMSETJEE JEJEEBHOY)
JAYKRISHNA HARIVALLABHDAS)
S. KHAMBATA)
N. M. WAGLE)
N. K. KARANJIA)
A. HYDARI) Directors.
R. C. COOPER)
T. K. PATEL)
B. V. NIMBKAR)
RUSSI JAL TARAPOREVALA)

Bombay, 14th March, 1968.

The Central Bank of India Limited

BALANCE SHEET AS AT 31ST DECEMBER 1967

CAPITAL AND LIABILITIES		Rs. P.	Rs. P.	Previous Year Rupees
1. Capital :—				
AUTHORISED CAPITAL—				
(a) 17,90,000 Ordinary Shares of Rs 50/- each		8,95,00,000.00		8,95,00,000
(b) 4,20,000 Ordinary 'A' Shares of Rs. 25/- each ...		1,05,00,000.00		1,05,00,000
		10,00,00,000.00		10,00,00,000
ISSUED AND SUBSCRIBED CAPITAL—				
(a) (i) 4,72,528 Ordinary Shares* of Rs. 50/- each	Rs. 2,36,26,400.00			
Issued as paid up to the extent of Rs. 25/- without payment in case in exchange for 9,45,056 shares of the Tata Industrial Bank Ltd.		1,18,13,200.00		1,18,13,200
(ii) 12,19,204 Ordinary Shares of Rs. 50/- each of which 12,14,857 Shares are allotted and on which Rs. 25/- per share have been paid up ...	Rs. 6,07,42,850.00	3,03,71,425.00		3,03,27,650
	Rs. 8,43,69,250.00	4,21,84,625.00		4,21,40,850
(b) 2,10,000 Ordinary 'A' Shares* of Rs. 25/- each fully paid up issued as bonus shares for consideration other than cash.	Rs. 52,50,000.00	52,50,000.00		52,50,000
	Rs. 8,96,19,250.00	4,74,34,625.00		4,73,90,850
*The above include 338 Ordinary Shares and 774 Ordinary 'A' Shares which were allotted pursuant to the Resolution passed at the Annual General Meeting held on 30th March 1959, at premium received in cash.				
Amount Received on 31 Shares Forfeited		530.00		530
		4,74,35,155.00		4,73,91,380
CAPITAL SUSPENSE—				
Amount due on first, second and third distributions to former Shareholders of the Jodhpur Commercial Bank Ltd., in terms of the Amalgamation Scheme dated 12th September, 1961 to be utilised against 12,758 Shares remaining to be allotted		3,18,950.00		3,53,200
			4,77,54,105.00	4,77,44,580
RESERVE LIABILITIES OF SHAREHOLDERS—				
Rs. 25/- per Share on 16,87,385 Shares.	Rs. 4,21,84,625.00			
2. Reserve Fund and other Reserves :—				
Reserve Fund		5,97,83,000.00		5,73,88,000
Contingency Fund		50,00,000.00		50,00,000
Special Reserve (after appropriation of final dividend for the half-year ended 31-12-1966 Rs. 49,69,151.20)		53,05,514.76		53,04,666
Development Rebate Reserve		2,25,000.00		2,25,000
Share Premium Account		32,52,321.33		32,16,569
Share Premium Suspense (on account of amounts kept in capital suspense)		3,40,964.75		3,74,812
			7,39,06,800.84	7,15,09,047
Carried over ...			12,16,60,905.84	11,92,53,627

PROPERTY AND ASSETS		Rs. P.	Rs. P.	Previous Year Rupees
1. Cash :—				
In hand and with Reserve Bank and State Bank (including foreign currency notes)			31,25,86,907.17	29,25,78,231
2. Balances with other Banks :—On Current Accounts—				
(i) In India		98,52,168.74		83,45,113
(ii) Outside India		96,78,862.07		81,47,578
			1,95,31,030.81	1,64,92,691
3. Money at Call and Short Notice			6,47,50,000.00	8,88,00,000
4. Investments : (at Book Value)				
(i) Securities of the Central and State Governments and other Trustee Securities		95,42,08,963.92		90,97,98,478
Treasury Bills of the Central and State Governments		9,01,00,000.00		6,25,000
(ii) Shares — Fully Paid	Partly Paid			
(a) Preference ... Rs. 57,10,089.79	Rs. 3,95,875.00			
(b) Ordinary ... Rs. 3,00,24,869.84	Rs. 11,27,785.25			
(c) Other Classes. Rs. 67,798.75	Rs. ...			
Rs. 3,58,02,758.38	Rs. 15,23,660.25	3,73,26,418.63		3,73,97,243
(iii) Debentures or Bonds		2,28,83,497.53		1,68,17,083
(iv) Other investments		14,39,798.54		14,39,799
(v) Gold		...		...
			1,10,59,58,678.62	96,60,77,608
5. Advances :—				
(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
(I) Loans, Cash Credits, Overdrafts, etc. :				
(i) In India ... ... (Includes an amount of Rs. 5,19,28,367.75 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)	Rs. 2,23,07,56,710.24			1,96,17,18,406
(ii) Outside India	Rs. 1,76,16,575.27			1,99,08,182
		2,24,83,73,285.51		1,98,16,26,588
(II) Bills Discounted and Purchased :				
(i) Payable in India	Rs. 47,12,29,984.11			49,83,69,804
(ii) Payable outside India ..	Rs. 5,55,48,170.84			9,17,93,055
		52,67,78,154.95		59,01,62,859
			2,77,51,51,440.46	2,57,17,89,447
Carried over ...			4,27,79,78,057.06	3,93,57,37,977

The Central Bank of India Limited

BALANCE SHEET AS AT 31ST DECEMBER 1967

CAPITAL AND LIABILITIES		Rs. P.	Rs. P.	Previous Year Rupees
Brought forward ...			12,16,60,905.84	11,92,53,627
3. Deposits and other Accounts :—				
Fixed Deposits and Cash Certificates		1,99,14,60,159.08		1,82,40,56,891
Savings Bank Deposits		98,07,30,442.00		85,40,49,748
Current Accounts, Call Deposits, Contingency Accounts etc. (including Staff Gratuity Fund Rs. 1,11,50,000.00) ...		98,15,53,528.84		92,06,58,676
			3,95,37,44,129.92	3,59,87,65,315
4. Borrowings from other Banking Companies, Agents, etc. :—				
(1) Secured :	In India	Outside India		
(a) By part of investments per contra	Rs. 49,85,000.00	...		94,00,000
(b) In respect of borrowings from the Industrial Development Bank of India	Rs. 5,17,63,527.75	...		3,30,48,013
and The Agricultural Refinance Corporation	Rs. 1,64,840.00	...		...
Secured by part of Advances per contra				
(2) Unsecured	Rs. 2,68,41,379.36	8,79,904.05		3,65,49,361
	Rs. 8,37,54,747.11	8,79,904.05	8,46,34,651.16	7,89,97,379
5. Bills Payable			4,34,89,081.94	3,98,07,224
6. Bills for Collection being Bills Receivable as per Contra :—				
(i) Payable in India		32,58,39,660.52		29,01,46,466
(ii) Payable outside India		1,97,35,897.84		2,25,32,303
			34,55,75,558.36	31,26,78,769
7. Other Liabilities :—				
Branch Adjustments		10,64,72,258.40		12,62,80,872
Amounts owing to Subsidiary Company (including on their clients account)		1,08,46,991.99		1,01,14,064
Unclaimed Dividends		16,56,015.28		15,29,082
Rebate on Bills Discounted and on Treasury Bills ...		37,14,440.13		18,11,502
			12,26,89,705.80	13,97,35,520
8. Acceptances, Endorsements and other Obligations as per contra			24,58,05,360.32	24,69,91,284
9. Profit and Loss Account :—				
Balance as per last Balance Sheet		17,347.52		93,071
Profit for the year ended 31st December 1967		1,19,72,594.00		1,33,39,185
		1,19,89,941.52		1,34,32,256
Less—Ad-interim dividend for the half-year ended 30th June 1967 at the rate of Rs. 2.40 per share, subject to tax	Rs. 45,87,050.40			45,86,909
Amount transferred to Reserve Fund	Rs. 23,95,000.00			45,28,000
Amount transferred to Special Reserve	Rs. 49,70,000.00			43,00,000
		1,19,52,050.40		1,34,14,909
			37,891.12	17,347
Carried over ...			4,91,76,37,284.46	4,53,62,46,465

PROPERTY AND ASSETS	Rs. P.	Rs. P.	Previous Year Rupees
Brought forward ...		4,27,79,78,057.06	3,93,57,37,977
PARTICULARS OF ADVANCES			
(i) Debts considered good in respect of which the banking company is fully secured	2,30,42,05,410.12		2,12,33,04,897
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	20,61,85,525.65		14,16,05,219
(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	26,47,60,504.69		30,68,79,331
(iv) Debts considered doubtful or bad not provided for ...	...		...
Total Rupees ..	2,77,51,51,440.46		2,57,17,89,447
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	29,40,860.26		24,85,255
(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents, or, in the case of private companies, as members	21,08,71,379.94		14,53,49,959
(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	29,40,860.26		25,69,371
(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents, or, in the case of private companies, as members	21,41,28,847.16		17,64,72,018
(ix) Due from banking companies	6,67,88,747.57		1,83,26,270
6. Bills Receivable being Bills for Collection as per Contra :			
(i) Payable in India	32,58,39,660.52		29,01,46,466
(ii) Payable outside India	1,97,35,897.84		2,25,32,303
		34,55,75,558.36	31,26,78,769
7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per Contra		24,58,05,360.32	24,69,91,283
Carried over ..		4,86,93,58,975.74	4,49,54,08,029

The Central Bank

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES	Rs. P.	Rs. P.	Previous Year Rupees
Brought forward ...		4,91,76,37,284.46	4,53,62,46,465
10. Contingent Liabilities :—			
(i) Claims against the Banking Company not acknowledged as debts Rs. 73,44,443.89			64,65,430
(ii) On Investments in shares and debentures of Joint Stock Companies and Banks ... ... Rs. 16,47,542.50			18,51,418
(iii) On Letters of Guarantee on behalf of Constituents (including Rs. 65,000.00 on behalf of Directors or Officers) ... ... Rs. 75,95,72,841.35			74,25,56,814
(iv) Liability on account of outstanding Forward Exchange Contracts ... Rs. 29,03,37,358.87			28,05,75,373
(v) Liability on Bills of Exchange Rediscounted ... ... Rs. 1,41,40,180.99			50,07,236
(vi) In respect of additional bonus for 1962 claimed by the staff which liability is not admitted by the Bank			

Notes :—(1) The actual amount of the liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.

(2) In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisos to sub-sections (1) and (2) of Section 211 and sub-section (5) of Section 211 and Section 227(5) of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with the Sixth Schedule of the Companies Act, 1956. The Accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

(3) As complete returns in respect of Pakistan Branches have not been received for periods beyond 30th June 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December 1967. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(4) The profit for the year has been determined after charging provision for bonus (varying the practice followed in the past years) and accordingly previous years figures have been recast to make them comparable.

TOTAL RUPEES ...		4,91,76,37,284.46	4,53,62,46,465

In terms of our report of even date attached

A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
Chartered Accountants.

Bombay, 14th March, 1968.

# of India Limited

31ST DECEMBER 1967

PROPERTY AND ASSETS				Rs. P.	Rs. P.	Previous Year Rupees
Brought forward ...					4,86,93,58,975.74	4,49,54,08,029
8. Lands and Buildings :—						
	Bank Premises Rs. P.	Investment in Properties Rs. P.	Non-Banking Assets acquired in satisfaction of claims Rs. P.			
Cost as per last Balance Sheet	§ 1,57,34,571.64	15,39,785.44	6,88,533.34			
Less—Cost of Properties at Rangoon adjusted during the year	...	...	1,04,640.00			
	1,57,34,571.64	15,39,785.44	5,83,893.34			
Add—Cost of Additions made during the year	19,00,871.53	...	...			*82,06,968
	1,76,35,443.17	15,39,785.44	5,83,893.34			†11,71,672
Less—Depreciation written off	64,98,846.51	15,15,966.00	2,08,624.98			‡4,79,909
	*1,11,36,596.66	†23,819.44	‡3,75,268.36		1,15,35,684.46	98,58,549
§ Including transfer from Investment in Properties Rs. 23,35,606.75						
Furniture and Fixtures :—						
As per last Balance Sheet				2,84,14,557.25		2,54,30,362
Add—Additions less Sales made during the year				50,59,193.33		29,84,195
				3,34,73,750.58		2,84,14,557
Less—Amount written off to date for Depreciation ...				1,54,88,301.38		1,32,85,979
					1,79,85,449.20	1,51,28,578
Other Assets :—						
Shares of the Central Bank Executor & Trustee Co. Ltd., at Cost				10,00,000.00		10,00,000
Interest accrued on Investments				1,08,00,166.06		96,62,545
Silver				...		...
Stamps, Stationery, Stock of Home Savings Safes and Safe Deposit Boxes				69,57,009.00		51,88,764
					1,87,57,175.06	1,58,51,309
TOTAL RUPEES ...					4,91,76,37,284.46	4,53,62,46,465

V. C. PATEL **Chairman.**
C. H. BHABHA **Vice-Chairman.**

JAMSETJEE JEJEEBHOY)
JAYKRISHNA HARIVALLABHDAS)
S. KHAMBATA)
N. M. WAGLE)
N. K. KARANJIA)
A. HYDARI) **Directors.**
R. C. COOPER)
T. K. PATEL)
B. V. NIMBKAR)
RUSSI JAL TARAPOREVALA)

P. C. MEVAWALLA
Deputy General Manager.

B. R. PATEL
Chief Accountant.

The Central Bank of India Limited

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1967

EXPENDITURE	Rs. P.	Rs. P.	Previous Year Rupees
1. Interest paid on Deposits, Borrowings, etc.		15,10,72,463.44	13,12,55,697
2. Salaries and Allowances at Head Office and Local Branches	2,05,93,451.48		1,79,67,098
Salaries and Allowances at Upcountry Branches	8,00,35,209.90		6,76,22,868
Contributions to Provident Fund	42,03,206.87		39,49,349
Bonus to staff (including Rs. 7,50,000.00 for the previous year).	1,10,00,000.00		93,00,000
		11,58,31,868.25	9,88,39,315
3. Directors' Fees and Allowances	79,643.00		76,061
Committee Members' Fees and Allowances	11,942.10		11,790
		91,585.10	87,851
4. Rent, Taxes, Insurance, Lighting, etc.		1,28,15,128.46	1,12,92,109
5. Law Charges		1,09,663.89	1,35,858
6. Postage, Telegrams and Stamps		23,84,890.17	21,96,565
7. Auditors' Fees (including Branch Audit fees paid to Statutory Auditors)		2,89,900.00	2,75,309
8. Depreciation on Banking Company's Property	1,19,095.94		97,437
Repairs to Banking Company's Property	3,51,140.52		2,39,952
Other Charges on Banking Company's Property	3,90,641.16		3,77,019
Depreciation on Furniture, etc.	22,02,321.93		18,50,423
		30,63,199.55	25,64,831
9. Stationery, Printing and Advertisements, etc.		46,72,474.83	42,61,712
10. Loss from sale of or dealing with non-Banking Assets ...		...	...
11. Other Expenditure		3,43,040.67	3,78,784
12. Balance being Net Profit		1,19,72,594.00	1,33,39,185
TOTAL RUPEES ...		30,26,46,808.16	26,46,27,197

Note—Particulars of remuneration paid to General Manager

	Salaries	Allowances	Cont. to Prov. Fund	Bonus.
	Rs. P.	Rs. P.	Rs. P.	Rs. P.
	60,000.00	7,200.00	5,000.00	11,880.00
(Previous Year)	(60,500.00)	(7,200.00)	(5,041.66)	(12,200.00)

In terms of our report of even date attached.
A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
Chartered Accountants

Bombay, 14th March 1968.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of The Central Bank of India, Ltd., as at 31st December, 1967, and also the attached Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of the 205 branches audited by us, 38 branches audited by other auditors, 5 branches in Pakistan for which unaudited returns as at 30th June, 1965, have been incorporated and the unaudited returns from 216 other branches in respect of which the Central Government has made an order granting exemption from audit pursuant to Section 228 of the Companies Act, 1956.

We report that:—

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank which have come to our notice, have been within the powers of the Bank.

(c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank not visited by us;

(d) The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;

(e) The reports on the accounts of the Branches audited by other auditors have been forwarded to us and the same have been considered in preparing our report;

(f) In our opinion, and to the best of our information and, according to the explanations given to us, the said accounts read along with the notes appearing thereon give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1967, and the Profit and Loss Account gives a true and fair view of the Profit, for the year ended upon that date.

A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
Chartered Accountants.

Bombay, 14th March 1968.

INCOME (less Provision made during the year for bad and doubtful debts and other usual or necessary provisions).	Rs. P.	Previous Year Rupees
1. Interest and Discount	25,34,93,549.39	22,01,55,151
2. Commission, Exchange and Brokerage	4,76,76,766.24	4,30,67,663
3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	12,09,885.58	10,77,096
4 Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	2,66,606.95	3,27,287
TOTAL RUPEES	30,26,46,808.16	26,46,27,197

V. C. PATEL — Chairman.
C. H. BHABHA — Vice-Chairman.

JAMSETJEE JEJEEBHOY
JAYKRISHNA HARIVALLABHDAS
S. KHAMBATA
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} Directors.

P. C. MEVAWALLA
Deputy General Manager.

B. R. PATEL
Chief Accountant.

FROM THE PRESS GALLERY

NCDC and NMDC Assailed

Our Parliamentary Correspondent

NEW DELHI: Friday

THE WORKING of two public sector undertakings—the National Coal Development Corporation (NCDC) and the National Minerals Development Corporation (NMDC)—has come in for scathing criticism in two reports of Parliament's Public Undertakings Committee (PUC) presented to the Lok Sabha this week. In a report on the working of the Ministry of Petroleum and Chemicals, the Estimates Committee has assailed the government for failures on the fertilizer front. The demands for grants of the Ministry of Irrigation and Power were adopted by the House this week. The much-awaited bill seeking to extend social control on general insurance was introduced in the House by the Deputy Prime Minister and Minister for Finance, Mr Morarji Desai.

The performance of the NCDC, according to the PUC, "is a story of unmitigated inefficiency and mismanagement". The PUC has deplored that despite the awareness of the "distressing" state of affairs in the NCDC, the government has failed to take effective action for years. It has called for the constitution of a high-powered body, assisted by technical persons from outside the NCDC, to probe the affairs of the corporation in detail and has recommended that "the persons responsible for this sad state of affairs, whoever they may be and wherever they may be employed at present, should be brought to book."

The indictment of the NCDC covers almost all aspects of its operations—planning of production, management of collieries, development of washeries, appointment of staff, inventory stocking, sales performance, etc. The PUC points out that as against a target of producing 30.5 million tonnes (later on brought down to 22.45 million tonnes) of coal in 1965-66, the NCDC produced in that year only about 10 million tonnes. As against the programme of developing 27 collieries, only 16 had been developed. Even out of these, eight had to be closed down later. The PUC regrets that the NCDC had not made any independent assessment of the country's demand for coal in the initial stages of its working. In regard to washeries, the PUC feels that they were planned without assessing the effective demand for washed coal; had proper care been taken, a good deal of investment would have been saved from being infructuous. The PUC has suggested that an exhaustive survey should be immediately made to determine the demand for washed coal and this should be reviewed periodically.

Heavily Overstaffed

Discussing the overstaffing of the NCDC, the PUC revealed that the collieries had been heavily overstaffed with the result that retrenchment compensation had to be paid to the tune of Rs 32.34 lakhs up to January 1967 to nearly 4,200 persons who opted for voluntary retirement. The PUC is surprised to note that unskilled workers who were ostensibly employed by the NCDC to work in collieries were officially made to work as private servants of officers of various levels. It has recommended that this practice should be stopped forthwith.

The cost of production of coal, the PUC points out, rose by Rs 2.68 per tonne in 1962-63. In 1964-65 it went up by as much as Rs 8.38 per tonne. The outstandings of the NCDC, it is revealed, remained unrealised for long periods. Interest on these outstandings to the tune of Rs 18.19 lakhs was not recovered by the NCDC during 1965-66. On the contrary, the interest to the tune of Rs 55.14 lakhs was paid by it to the State Bank of India during this year on the loans secured by it. Regretting the lack of proper inventory control even after the lapse of so many years and calling for the institution of such a control, the value of plant, machinery and stores of the NCDC, the PUC has disclosed, rose from Rs 5.6 crores in 1963-64 to as much as Rs 18.33 crores in 1965-66. The PUC opines that unrealistic purchases of stores and equipment have led to huge amounts of money being blocked without any prospect of return even till 1970-71.

Although a much milder language has been used in respect of the NMDC, the PUC has found the working of this public sector undertaking as "far from satisfactory". The Kiriburu project, the first one to be handled by the NMDC, it is pointed out, has failed to attain the rated capacity of two million tonnes even three years after the target date. The story of the execution of the Bailadila project is stated to be no different; it has not been completed as yet although the target date for commissioning it was December, 1966.

Bad Planning

The PUC is surprised to note that without carrying out a techno-economic feasibility study of the Kiriburu project, the government entered into an agreement with the Japanese mission for the supply of two million tonnes of iron ore per annum from 1964. It has also noted with regret that the selection of consultants for the preparation of the project report for Kiriburu was based merely on the foreign exchange made available by Japan rather than on merit. "In fact the history of the Kiriburu project right from the beginning to the present stage of development", the PUC feels, "is full of bad planning and ineffective performance". The net result of wrong planning and ineffective management at all levels, it observes, has been that the NMDC incurred a loss of Rs 2.95 crores up to March 31, 1967. Further losses of Kiriburu and Bailadila, it says, may be of the order of Rs 2.86 crores and Rs 2.27 crores per annum, respectively.

Of all the projects taken up by the NMDC, the Panna Diamond Mining Project, the PUC opines, is the only one where the government could have the maximum return with the minimum of investment. However, the approach for the development of this project, it feels, has not been systematic. The project, which was accorded a high priority for execution in the third Plan, it is pointed out, was later on deferred for reasons of economy. The government's decision to defer the project was taken without working out the economics of deferment. The PUC has also failed to appreciate the decision of the government to sanction the present Majhgawan scheme for the production of 12,000 carats of diamond per annum, against the scheme based on the Hungarian treatment plant for the yearly production of 22,500 carats.

Severely criticising the fertilizer policy, the Estimates Committee, in its report on the Ministry of Petroleum and Chemicals, points out that while the production of fertilizers during the first Plan was about 84 per cent of the target fixed, it dropped down to 34 per cent during the second Plan and further to 29 per cent in the third Plan. The committee wants the government to learn some lessons from its past failures and give advanced thought to the fertilizer production programme of the fifth Plan. The committee has also noted with concern the high cost of production of fertilizers in the country. While it concedes that the cost of ammonia produced in the existing plants at Sindri, Nangal, Trombay, Rourkela, Neyveli and Alwaye is high because of the high cost of raw materials used, old technology, the small size and overcapitalisation of the plants, it feels that the high operating costs are also due to non-utilisation or under-utilisation of capacities on account of prolonged teething troubles and faulty equipment used.

The case for a fresh review of the basis for the fixation of prices of both indigenous and imported fertilizers has received a sympathetic notice from the committee. It points out that the review has become all the more necessary in view of the liberalised pricing and marketing policies under which the producers have been given option to sell at least 70 per cent of their output in a manner and at a price of their choice. It suggests that an expert group drawn from the fertilizer industry, commerce and trade, economists, cost accountants and representatives of farmers should be set up to go into the cost structure of the industry so that a uniform price policy advantageous both to the producers and consumers can be worked out.

The committee is constrained to note that fertilizers have been made available to farmers in this country at a much higher price than in other countries; the price paid by a farmer in our country in 1965-66 for one tonne of nutrients, it observes, was Rs 1,804, as compared to Rs 729 in Pakistan, Rs 1,257 in Japan, Rs 1,324 in the USA and Rs 800 in the UK. Owing to the devaluation of the rupee and the withdrawal of the subsidy the price payable by our farmers stood at Rs 2,343 per tonne from April last year. Referring to the basing of future fertilizer plants on various types of raw materials such as naphtha, imported ammonia and coal, the committee has stressed that the government must make an urgent study of this matter and take the final decision on how much of the future development should be based on each of the principal feedstocks.

The highlights of the debate on the demand for grants of the Ministry of Irrigation and Power were: (i) the criticism of the mounting costs of irrigation and power projects and failures to achieve the targets in time; (ii) the concern over lack of solution of various inter-state river water disputes; (iii) the plea for accelerating the pace of rural electrification; and (iv) the allegations that the centre was apathetic to some states. Several members referred to the need for irrigation and power development work in their areas.

Irrigation Commission

Replying to the debate, Dr K. L. Rao declared that arbitration under the Inter-State Water Disputes Act would have to be resorted to if negotiations on settling these disputes failed. Referring to the government's decision to set up an irrigation commission to review the impact of irrigation development so far and suggest plans for the future, Dr Rao hoped that the commission's report would put the whole thing in perspective. (The last such commission was appointed in 1901.) Dr Rao felt confident that given the funds, the irrigation and power engineers and his ministry were capable of providing in a reasonable period irrigation facilities to one in every two acres of cultivable land, as against one in every five at present. When the various existing schemes, costing Rs 850 crores, were completed, it would be possible, said Dr Rao, to irrigate one in every three acres. He warned against the slackening of the tempo in irrigation development. Dr Rao hoped that in two years "we will be on the top" in regard to the Farakka project. Speaking of power projects, Dr Rao felt, that investment in electric supply undertakings was fast nearing that of the railways; in no more than five years, this investment would exceed that of the railways. We have doubled the power-generating capacity during the past five years, observed Dr Rao. Speaking of the limited length of the main 132/220 kV class transmission lines in the country, the Minister announced that with a view to stimulating their growth, the Government of India had decided to treat inter-state link lines on the lines of national highways, bearing the entire financial burden for their installation.

The Insurance (Amendment) Bill, which was introduced in the Lok Sabha this week, provides for restriction of share-holding and voting rights in general insurance companies, regulation of their investments, maintenance by insurers of minimum solvency margins, etc., in the interest of promoting the development of general insurance business on sound lines. It gives the Controller of Insurance wide powers to (i) effect amalgamation of companies, (ii) appoint directors on the boards of various companies; (iii) have a say in the appointment or removal of the principal officers of insurance companies; (iv) regulate and fix premium rates; (v) carry out inspection of insurers, including searching of premises and seizing of books and other records in special circumstances; (vi) cancel the registration or initiate winding up proceedings against an insurance company. The Controller will be empowered to give directions to insurers in public interest in respect of particular transactions or re-insurance treaties.

Basis of Compensation

The Government of India will be empowered by the bill to take over an insurance firm in certain circumstances on payment of compensation. The circumstances in which this can be done include the failure of an insurer to carry out the Controller's directions. If the compensation fixed by the government is not considered proper by the company proposed to be taken over, the government will refer the matter to a tribunal, provided one-fourth of the shareholders of the concern, having not less than one-fourth value of the share capital, make this request. Otherwise, the compensation fixed by the government will be binding. The tribunal will have three members, including the chairman who will be a person of the status of the judge of a high court or the Supreme Court. One of the other two members will be a chartered accountant; the other will be a person connected with general insurance.

The bill proposes to create a statutory body under the chairmanship of the Controller of Insurance in place of the existing tariff committee of the General Insurance Council. The new body will be known as the Tariff Advisory Committee. It will "control and regulate" the rates, advantages and terms and conditions that may be offered by insurers in respect of general insurance business. Provision is made for the maintenance by the committee of a panel of approved surveyors and loss assessors. Every claim of more than Rs 20,000 will have to be valued by one of these approved surveyors.

While laying down that every insurer would maintain an excess of assets over liabilities to the extent of Rs 20 lakhs or two per cent of the net premium income, whichever is higher, the bill gives existing insurer some time to make up the required excess progressively. It also provides that the premium should be received in advance before a risk is undertaken and that the opening of a new branch will require the permission of the Controller. The bill also lays down procedures and specifies areas in which investments can be made by insurers. The general insurers, it stipulates, should invest at least 75 per cent of their assets only in approved investments.

The discretion now vested in the Government of India to decide the maximum bonus payable by a general insurer to his employee is also sought to be taken away by the bill. The matter is proposed to be brought within the jurisdiction of industrial tribunals. The bill lays down the commission that is payable to insurance agents.

The financial memorandum attached to the bill throws a hint that no take-over of general insurance firms is likely in 1968-69. It makes no monetary provision except for Rs 1.5 lakhs for setting up tribunals. "It will be necessary to watch how far the insurers are working in accordance with the directions issued and it will also be necessary to give any individual insurer adequate opportunity to show cause before it is taken over", says the memorandum. It adds that "according to tentative estimates", the total amount of compensation payable to general insurers in the event of a take-over may be approximately Rs 30 crores.

WINDOW ON THE WORLD

Tour of the EEC Horizon

JOSSLEYN HENNESSY

I

U.S.A. CRITICAL OF T.V.A.

LONDON:

THE INTRODUCTION on January 1 last of a value-added tax (TVA) in West Germany, and the extension of TVA in France to cover services and retail sales, have once again focussed attention on the harmonisation of indirect taxes within the Community.

The general rate of the West German tax is 10 per cent (rising to 11 per cent on July 1, 1968), with a reduced rate of 5 per cent (5.5 per cent from July 1) for most food products and some professional services.

The new French system, which abolishes the local tax and the services tax, has four rates: 5, 12, 16.66 and 20 per cent (the tax base includes the tax), graded according to the estimated social necessity of the taxed goods.

In West Germany (as in France) a TVA equalisation tax will be charged on imports while a TVA rebate is given on exports. Both the tax and the rebate will be about equivalent to the TVA, i.e. 10 per cent.

As West Germany's previous turnover equalisation tax on imports was about 4 to 5 per cent and the export rebate about 3 per cent, imported goods are going to be more expensive on the home market and exports are going to be cheaper abroad.

US Authorities Upset

This has greatly upset the US authorities, who reckon that the effect of West Germany's TVA from the view point of foreign trade is equivalent to a 3 to 4 per cent devaluation. The West Germans claim that the competitive edge gained is only about 1.5 per cent, and is bound to be eroded soon as prices rise in this inflation-beset world. This argument does not convince the Americans, who are also concerned about the French system, and about the future conversion to TVA of Italy and the Benelux countries.

According to Mr Katzenbach, President Johnson's apologist in Europe for the US balance-of-payments measures, the US authorities are considering a border tax to counter the Community's TVA. Like TVA, it would be levied on all imports and rebated on all exports at a rate equivalent to the estimated indirect tax burden borne by US-produced goods. It would therefore not contravene GATT rules. Though President Johnson is unlikely to give much support to such blatantly protectionist measures as the Orderly Trade Bill currently before the US Congress, he might just find the border tax justifiable, as well as a convenient sop for the protectionist lobby. If he did so, he would, however, undo many of the opportunities achieved for growth in world trade by the Kennedy Round tariff cuts, not least by encouraging retaliatory measures such as a reintroduction of the UK's export rebate scheme.

The Benelux countries have been worried about trade distortion affecting their own economies as a result of the introduction of TVA in West Germany, their principal EEC trade partner. The Netherlands has readjusted its import taxes and export refunds to take account of the new West German tax. Belgian industrialists, meanwhile, are pressing for the introduction of TVA in Belgium by January 1, 1969, the same date as that scheduled for the Dutch changeover, instead of waiting until the deadline of early 1970 laid down in the EEC plan.

During the opening speeches for its twentieth anniversary meeting, GATT (General Agreement on Tariffs and Trade) officials hailed the Kennedy Round tariff cuts as the greatest achievement. The new GATT action programme worked out at the meeting is primarily concerned with the need to provide developing countries with better opportunities for their exports, especially of tropical products. It was not possible to reach an agreement on the early reduction of non-tariff barriers to trade, nor on agricultural trade liberalisation. Another major onslaught on industrial tariffs has become an equally remote possibility. This means that the GATT may now sink back into its pre-Kennedy Round torpor, especially as it has agreed to integrate its activities and resources in the field of export promotion and assistance for the developing countries with those of the UNCTAD (UN Conference on Trade and Development) through a jointly operated International Trade Centre, thereby losing the sole initiative in the only field for which an action programme has been agreed upon.

Meanwhile, the tariff-cutting agreements negotiated during the Kennedy Round talks began to come into force on January 1, when Austria, Czechoslovakia, Portugal and Switzerland, as well as Australia, New Zealand, Canada and the USA, made the first of five annual reductions of one-fifth of the full amount agreed.

The Six, the four Scandinavian countries, and the UK, have chosen the alternative method of tariff cutting. On July 1, they will effect two-fifths of the full reduction, and thereafter one-fifth on January 1, 1970, 1971 and 1972.

As the US Congress has still not agreed to the abolition of the American Selling Price (ASP), negotiated during the Kennedy Round, the size of the tariff cuts for chemicals, to be introduced on July 1, remains uncertain.

French Plea Rejected

The EEC Commission has refused to allow France to protect its electrical household appliances industry against a rapidly growing flood of cheaper Italian imports. France applied, under the safeguard clause provided for in Article 226 of the Rome Treaty, to be allowed to maintain either quota restrictions or to levy a special tax. France has taken safeguard action before against Italian refrigerators, and the Commission then gave its blessing in the hope that it would allow the French industry time to rationalise. On this occasion the Commission has found it difficult to come to a decision, postponing it twice. In the end various factors weighed against France, first, that the EEC customs union will be fully operative on July 1, a development incompatible with quota restrictions. Apart from this question of principle, the Commission knew that if France had been granted its quota, there would have been many similar requests from other member states for a host of different products. Moreover, France's two main refrigerator and washing machine manufacturers, the Claret and Thomson-Brandt groups, had just announced an integration programme, thereby removing one of the chief justifications for France's industrial protection moves.

There remains the French allegation that Italian manufacturers are benefiting from unfair tax advantages. Although France has also been refused permission to introduce the proposed compensatory tax on Italian imports, the Commission will investigate the cost-price structure of the Italian industry to see if the French allegations are true. However, even if these were true, the Commission, as a matter of principle, will probably insist on a reorganisation of Italian tax regulations rather than allow the French to introduce a compensatory tax. The whole matter is regarded as a particularly successful test case in the Commission's difficult transition period after the crisis of last December.

II

E.E.C. RELATIONS WITH THIRD COUNTRIES

The latest episode in the long-drawn-out talks between the EEC and Spain leaves little hope for early agreement on economic association. The Spanish negotiators were thoroughly dissatisfied with the EEC offers in the negotiating mandate, even before the negotiations started. During the actual talks, it became evident that the abyss separating the EEC from the Spanish counter-proposals was unbridgeable. A further meeting is not expected to do more than take stock of differences.

The two delegations more or less agree that the Council's present negotiating mandate gives no basis for useful talks. The whole matter would therefore have to be referred back by the Commission to the Council, so that the latter might draw up a new mandate for the Commission. Considering how difficult it was to draw up the present mandate in the face of political opposition from the Netherlands and economic opposition from Italy, a new and more generous mandate is unlikely for some time. But the Spanish government seems to have decided that it is better to wait than to negotiate now on the limited and unattractive basis offered by the EEC.

Both Morocco and Tunisia have come much closer to an early agreement with the Community. Both countries' delegations have shown willingness to accept a partial agreement to begin with. This would later be expanded into an overall association agreement, for the time being leaving aside the thorny problem of a mutually acceptable institutional framework. The institutional aspects of the final association agreement could be investigated for as long as necessary while the partial, mainly trade, agreement was already in force.

The negotiations with the two Maghreb states were based on the new negotiating mandate given to the Council on October 24. Although the negotiations were held separately, the Community's proposals to the Moroccans and the Tunisians were identical, and covered some of the more controversial Maghreb export products:—

1. For olive oil (2 per cent of Moroccan exports and 29 per cent of Tunisian exports to the EEC), the EEC would grant levy reductions providing that the two countries kept to a minimum offer price equivalent to the world price plus the levy.

2. For citrus fruit (28 per cent of Moroccan exports and 7 per cent of Tunisian exports to the EEC), a tariff preference at 80 per cent would be offered providing again that a minimum offer price were respected.

3. For agricultural products not covered by a Common Market organisation, duties and quantitative restrictions would be abolished; this is particularly important for dates. Cork has been provisionally excluded.

4. For fishing products (9 per cent of Moroccan exports and 3 per cent of Tunisian exports to the EEC), the intra-Community system will be applicable, except in the case of canned fish and fish products where West Germany and Italy would grant reduced tariff quotas and France tariff-free quotas.

5. For industrial products generally, the full intra-Community system will be applicable, except refined oil products which would be subject to a tariff-free quota. Processed agricultural products will be granted some minor concessions, but wine, tomatoes, canned fruit and vegetables, cork and some other agricultural products have been excluded from the negotiating mandate (these products account for about 40 per cent of both Moroccan and Tunisian exports to the EEC).

The exact extent of the reciprocal arrangements to be granted by Morocco and Tunisia remains to be defined. Meanwhile Morocco has asked for full customs exemption, instead of just 80 per cent, on citrus fruit, and for concessions at least on tomatoes and canned fruits and vegetables, while Tunisia was disappointed at the exclusion of wine from the EEC offers. Both countries, however, seem prepared to sign a partial agreement, as soon as possible, leaving until later the settlement of the remaining trade questions, of the financial and technical provisions, and of the final administrative framework.

The possibility of an early, but partial, agreement has caught the Council by surprise. It is currently examining the Commission's reports on the November talks, and will probably take no further action for some months. As the veto on UK membership happened after the last round of negotiations, Italy might reiterate its "no EEC expansion to the south without expansion to the north" policy when Moroccan and Tunisian association is next discussed. If so, a new series of bargainings would be necessary, but the negotiating ground now looks much firmer and some kind of formal agreement could be reached by mid-1969.

Algeria's reawakened interest in formalising its relationship with the Community is another new factor in the relations between the EEC and the Maghreb countries. Algeria expressed willingness to open negotiations with the EEC early in January, prompted, perhaps, by the progress made in the talks with its Maghreb neighbours. Algeria's advantageous position vis-a-vis the Community, a legacy of the days when it was part of France, is rapidly being eroded. At the beginning of this year Italy went so far as to apply third country treatment to all Algerian goods, and it looks as if the other EEC countries, except France, may also do this. The Commission is scratching its head about Algeria's request. It is likely that as a precondition to talks Algeria will have to retract its standing declaration of war on Israel.

Deadlock with East Africa

The EEC Council meeting failed to agree on the final mandate to be given to the Commission for negotiations with Kenya, Uganda, and Tanzania. The two sides are now agreed on most aspects of an association, except on the amount of reciprocity to be demanded from east Africa for EEC exports. The east African states do not consider it necessary to offer any, or more than token, trade preferences to the EEC, while France wants at least a 10 per cent rate of tariff preference on the equivalent of about 75 per cent of east African imports from the EEC. The other five EEC members hold that such reciprocity cannot be claimed from developing countries except in return for financial and technical assistance, for which the agreement does not provide. As France is intractable over what she considers a question of principle, it is increasingly unlikely that agreement will be reached during the present round of negotiations. The agreement was due to expire anyway with the Yaounde Convention, i.e., in May 1969. A new round of negotiations, running parallel with those for the renewal of the Yaounde Convention, is possible.

During a special meeting at Niamey (Niger) of the Associated African States and Madagascar (AASM) in January, the 18 countries reiterated their intention of obtaining a renewal of the Convention before it expires in May 1969. Though the Convention itself specifies that renewal negotiations can be started only 12 months before the agreement lapses, the 18 states want to get them going as soon as possible.

Among the several reasons for this haste one was the critical attitude of the UN Conference on Trade and Development (UNCTAD) towards the association between the EEC and the AASM. The Yaounde countries are concerned lest their special trade, and particularly aid, relationships with the EEC be replaced with, to them, much less favourable overall concessions to be obtained from the EEC by all developing countries which participated in the Delhi conference.

The second reason for wanting to secure the renewal of the Convention as soon as possible is the present division between France and the other five EEC members. Most of the AASM countries have been French colonies and still live much within the French sphere of influence. The aid paid out to them by the European Development Fund (EDF)—at the end-January this amounted to \$410 million out of total commitments of \$462 million—more often than not is spent on imports of goods and services from France. West Germany, which contributes as much as France to the EDF funds, and Italy and Benelux, which provide the remaining one-third, are understandably resentful of the trading advantages that France is gaining from the EDF aid programme. They would therefore like wider EEC ties with Africa (notably east Africa), and more liberal trade links with all the developing countries, rather than with just a few privileged France-orientated countries.

So although France's Community partners are unlikely to oppose the renewal of the Yaounde Convention, they may insist that France should take a more liberal line towards (1) the east African applicants and (2) the extension of trade preferences in favour of all the developing countries. Alternatively, France may have to increase its proportional contribution to the EDF, or agree to an element of tied aid in the future spending of EDF funds by the African associates.

More than 2,000 customs officials recently marched through Brussels in a protest demonstration. They were demanding higher pay and alternative state jobs when customs barriers inside the Community are finally abolished next July and friendly smiles will presumably replace the stern enquiry "Have you anything to declare?"

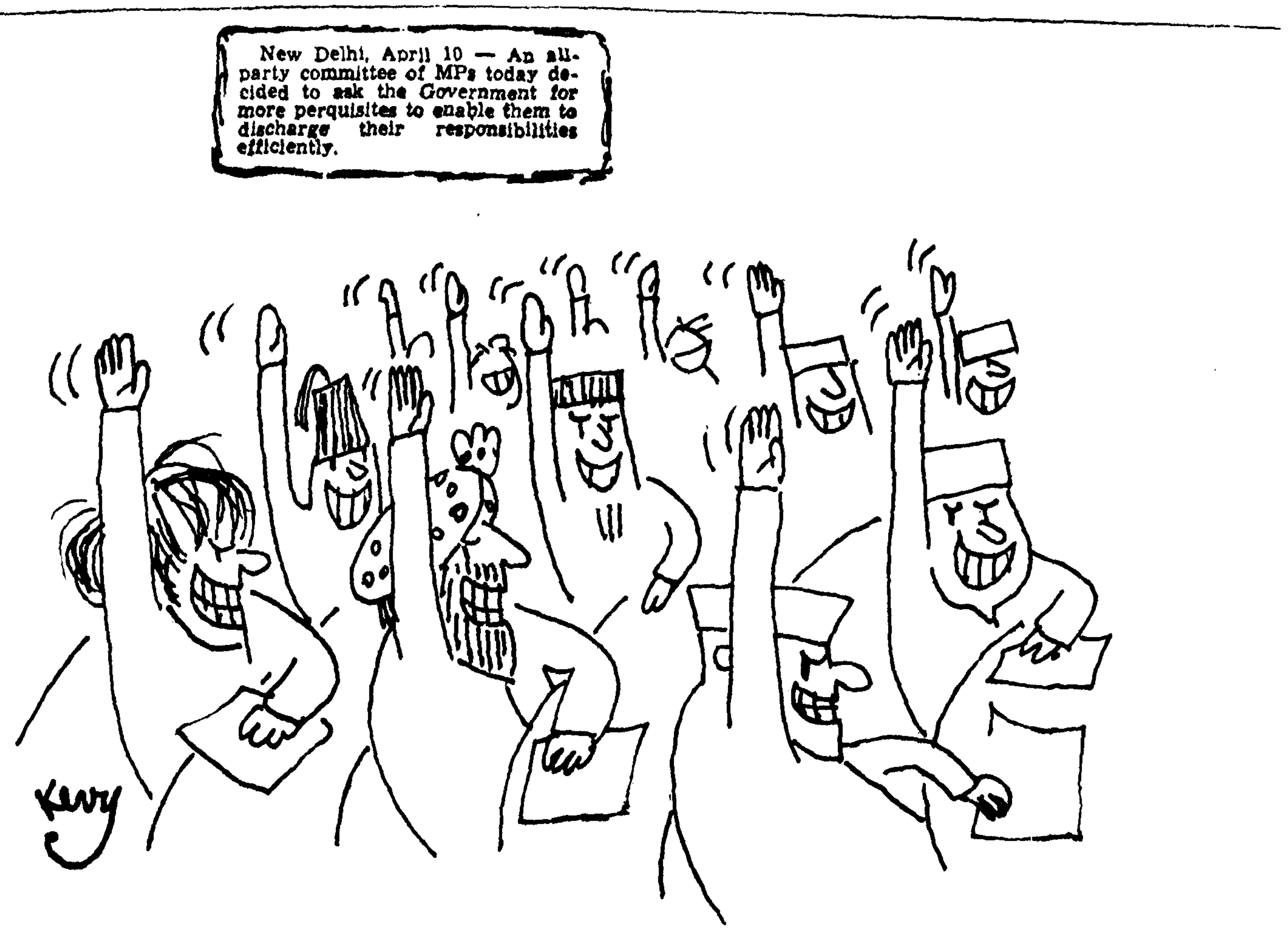
EEC's Prospects

The EEC Commission expects the gross product of the Six to rise by 4.5 per cent this year, against 2.5 per cent last year, and 3.9 per cent in 1966.

From 1958 to the end of 1967 the gross product of the Six rose by 55 per cent, compared with 49 per cent in the USA and 32 per cent in the UK.

Internal demand should be more buoyant this year, but the devaluation of sterling and subsequent measures in several countries, and the US balance of payments measures announced at the beginning of the year, make it more than usually difficult to assess the outlook for 1968. It is, however, expected that demand from abroad for EEC products will be appreciably slower than last year. There will probably also be a further vigorous rise in imports from non-member countries so that, with exports presumably slightly muted, the EEC's balance of trade is expected to deteriorate again perceptibly. The surplus on aggregate current account may therefore be smaller.

Sources and Acknowledgments: The foregoing is largely a summary, by special arrangement, of an exclusive report in the latest issue of "European Trends", published quarterly by the 'Economist' Intelligence Unit, 27 St. James's Place, London, S.W.-1. The EIU is, however, responsible neither for my comments nor for the emphasis of my summary.



The 'Ayes' have it.

Distrust of the USA in Europe

E. B. BROOK

VIENNA:

FOR A short time, shorter maybe than some care to think, the pressure may be off the dollar and the pound—the reserve currencies whose status and pampering President de Gaulle so deeply resents as totally unjustified. At best, the pressure is likely to be off these currencies for only a breathing space.

The bankers' meeting in Washington and its device of a fixed official and a movable unofficial market for gold followed by the Stockholm majority decision to authorize Special Drawing Rights (SDR's) in the International Monetary Fund have provided a useful bastion to protect the reserve currencies and a useful prop to sustain their strength. The immediate reaction was the expected recovery of their international exchange values. This lasted for only a short time, after which the slow slide-down again became perceptible.

Despite all the ingenuity of financiers and government experts there are weaknesses in both schemes. The two-tier system for gold does nothing to protect the currencies from the French intention to drive up the free price of gold and to demonstrate once more its opinion that the present monetary system is bound to collapse. This intention was emphasized by M. Debre in Stockholm when he again accused the Group of Ten of refusing to square up to fundamental problems.

The strength of the French position is that there is enough truth in these allegations to make it uncomfortably difficult to rebut them and enough prejudiced exaggeration to make them into a dangerous weapon whose use would be to drive home its point regardless of the disaster to international (including French) trading this would cause.

Whether France can do any serious damage remains, nevertheless, to be seen since the other nine delegations at Stockholm displayed confidence that they would stand together to maintain sufficient reliability to prevent a fresh run on both gold and the reserve currencies, especially the dollar.

Chief Asset

The chief asset of the Stockholm meeting was the almost nervous intentness of everyone but France to keep world international finance on its present basis and gold at its current price. The chief defects were the failure to obtain unanimity on this purpose, the aggressiveness of France and the nervous cohesion of the other nine, and the failure of the community spirit of the Common Market. The USA was able to show once more its powerful influence over France's colleagues—especially West Germany and Italy—a demonstration that can only have increased de Gaulle's scepticism over the prospects of the Six ever achieving a real economic union.

There are optimists who consider that France's gesture in not flatly rejecting the idea of Special Drawing Rights in the International Monetary Fund and its acceptance of an opting-out clause will enable France to reconsider its attitude to the scheme. On the other hand, it could help France in efforts to persuade some of the countries who committed themselves to the idea at Stockholm to change their minds later when the SDR's are ready for activation.

The possibility of France changing its mind is limited to the unlikely event of the United States being able to get its balance of payments in credit. The US Congress in general and its Senate in particular have shown themselves totally unwilling to accept what are internationally held to be essential increases in taxation. The immense cost of the Vietnam war, its lack of success, the immense profits made from it by many leading US firms and its debilitating draw on young American manpower have soured the American legislators. European reaction to US economic expansion in this continent and to the "brain drain" has angered the US legislators and they are very conscious, especially now that the US is, in trade, seriously in the red, that many European countries owe the USA a lot of money which it is very unlikely to receive. Among these countries is France which loses no opportunity to deride the current US financial position and to call on the USA to end its adventures in Asia.

The temporary bombing restraint imposed by President Johnson has met with an almost world-wide negative or passive reception and his expressed intention not to stand in the presidential elections is regarded either with disbelief, as a political trick or as a tactical surrender to avert certain defeat. It is by no means clear that any of these attitudes is justified but there is no doubt they are widely held in many parts of Europe. One of the sad things about President Johnson is that no one trusts him very much and the more pathetic he makes himself appear the deeper becomes the distrust. It is not an exaggeration to say that American credit sagged irreparably in Europe with the assassination of President Kennedy; the persistent cloud of doubt over its circumstances has discredited the US in Europe ever since.

Main Adversary

It is now clear, at least in Europe, that the lower US prestige sinks the higher that of France rises. The US has for some time appeared to realize that its real opponent in Europe is not Moscow but Paris. This realization has been signalized by the withdrawal from Paris of a very competent US ambassador and by the very long interval before a very much less prestigious man takes his place.

Recent political moves in the USA have, in fact, strengthened the position of the French government. Notable among them have been the US Senate's protectionist moves and its vote to bar the sale of gold to any country that had not paid its debts to the USA. Some of these debts date from the 1914-18 war and have long been generally regarded as outdated.

France and much of the rest of Europe feel themselves to be the aggrieved party in the dollar dispute in the sense that they are being obliged to underwrite US inflation and the Vietnam war. The USA is not trusted; its promises are not believed. It is now seen to be raising tariff barriers after years of lecturing Europe on the evils of protectionism. For nearly 10 years the USA has promised it would end its payments deficit but instead the deficit—which undermines confidence in the monetary system—worsens.

It was agreed long ago that the SDR's in the International Monetary Fund would be activated only after the USA had set its payments in balance; now the US seeks speedy activation so as to use the new rights to increase European financing of its deficit.

It is not only France that is aware of these facts. The West Germans and the Italians are equally fully aware of them. The only difference is that, at the moment, the rest of the continent lacks the self-confidence to join France in effective protest.

The moving finger writes

EVEN THIS teeming earth cannot afford such losses. Yuri Gagarin and Martin Luther King to die so soon after each other. Each, in his different way, symbolises the triumph of human spirit over its environment. Mankind's first man in space was more than a cog in the giant wheel of a soulless technology. He expressed, in the idiom of contemporary science, the eternal, Ulysses-urge of all the human race: "To strive, to seek and not to yield".

As for that other man, who wanted the white American to enrich himself by sharing his democratic heritage with the black American, it would be a cry of despair to describe him as the last of those prophets who vainly attempted to assert the law of morality as the overriding law of human societies. It is true that the Buddha, Christ, Asoka, Abraham Lincoln, Mahatma Gandhi and now Martin Luther King had sought more than their fellowmen were willing to give and, in their various kinds or degrees of failures, had shown that the stars unhappily were not there for all those who might try to reach out for them. But it has also been their victory to light a flame of inspiration in the warmth of which an endless series of noble impulses could take life in all the numerous tomorrows that go to make up the future. The assassination of Martin Luther King has no doubt precipitated a first reaction of Negro violence in Washington and elsewhere, but this outburst, happily, has been controlled, and as has so often happened before, the murdered martyr may well be the piece of silver with which both white and black America may, in the event, have bought their common redemption. In that case, even at that bloody price, it may not be a bad bargain.

* *

It is significant that the Deputy Prime Minister (and Finance Minister) thought it necessary to explain at some length why he decided to attend the recent meeting of the Asian Development Bank at Manila. He reportedly told the executive committee of the Congress Parliamentary Party that since India was interested in organising the Bank on sound lines, he felt it desirable that he himself should attend the first annual meeting of this Bank. Mr Desai also said, "the fact that India had sent a senior member to the conference was well received by member countries". I must confess however that I still feel that, apart from the consideration that a man of the stature of Mr Desai in our politics and government could always usefully visit friendly foreign countries, there was no warrant for Mr Desai undertaking this trip himself rather than asking Mr K. C. Pant, for instance, to deputize for him.

It is obvious from the proceedings of the Manila meet that even primary data was lacking for any purposive planning of the Bank's programmes in the immediate future. On the contrary, so much of what it was all about was so very vague that the most fanciful suggestions were being made by personages in high positions about what the Bank should attempt to do for the welfare of the developing countries which are included in its membership. In the process, those concerned exhibited a blissful forgetfulness of the existence of another international institution in the area, viz., the ECAFE.

* *

If it is the lot of men with lean and hungry looks not to be trusted, it seems to be the fate of the fat to be laughed out of court. Mr Piloo Mody's recent remark in the Lok Sabha that the only way of effecting real economy in government expenditure would be the wholesale abolition of a few ministries was unceremoniously dismissed by other members as a joke for which the only virtue that could perhaps be claimed was that it was not in poor taste. And yet there is little doubt that so long as useless ministries, which have no justification in terms of the assumptions and requirements of our federal constitution, are allowed to persist and proliferate, each an "imperium in imperio", there can be no effective control over government spending. This, of course, is the true answer to Mr Morarji Desai's repeated argument that there are so few areas of government spending where savings are possible.

Mr Modi's bold recipe was evidently too much to digest for those for whom it was intended. But the government could at least start pruning obviously superfluous growths, even if it is not prepared to apply the axe to ministries root and branch. Take, for instance, the office of the Commissioner of Civil Supplies in the Ministry of Commerce. The post of Commissioner was created in June 1966 in the wake of the devaluation of the rupee and the Commissioner and his organisation were supposed to help in holding the price line and containing the inflationary spiral. I do not care to argue the point at length here, but it seems to me that such justification as this agency ever had, had disappeared quite some time ago. Nevertheless, the Commissioner of Civil Supplies and his establishment continue at the tax-payer's expense long after either has ceased to do any useful work. Incidentally, this arrangement compels a senior officer (with a fine record of service in positions of real importance to the economy) to cool his heels in a sinecure through no fault of his own. Here, in my view, is a striking example of that immense inertia in government which preserves without purpose, so much so that once a post or an establishment is set up for any reason, it goes on merely existing long after the need for it has disappeared and simply because of the infinite capacity of the bureaucracy to forget, to overlook and to remain generally indifferent.

* *

I am glad that the economics of the celluloid has triumphed over the politics of the DMK. The screening of Hindi films has been resumed in Madras state simply because, if this is not done, the Shiv Sena will not allow the exhibition in Maharashtra of Hindi films made in Madras studios. The answer to the Annadurais of this world, evidently, is the Bal Thakres. This may not be the most desirable way of ordering our affairs, but I fail to see what else is there to be done so long as the Prime Minister of India persists in imagining that, she being where she is, God must be in His Heaven and all must be right with the world.

This need not however prevent me from taking a rather dim view of the political maturity of those industrialists and other businessmen in Bombay city or elsewhere in Maharashtra who have undoubtedly been providing the financial sinews for the activities of the Shiv Sena. They seem to have learnt nothing from the experience of the German industrialists who threw in their lot with the Nazis and financed the latter's rise to power. Mr Chavan, then, is right in deprecating their shortsightedness, but can he or the government of which he is an influential member disclaim his or its share of responsibility? The German businessmen hoped to save themselves by putting up the Nazis against the communists. Is it not possible that the conduct of the supporters of the Shiv Sena among Bombay's business community has its explanation in the fact that there is a general loss of confidence in the ability of the Congress party to deal effectively with the communist threat?

Trade Winds

A.D.B. SPECIAL FUNDS

THE FIRST annual meeting of the Asian Development Bank ended in Manila on April 6 with pledges of concrete support to its special funds from Canada, Denmark, Japan and the Netherlands. Canada has decided to contribute $25 million to the special fund to be spread out in interest-free advances of $5 million per year for the next five years. During the current fiscal year Canada also proposes to make available to the Bank a grant of $100,000 to assist in the financing of technical assistance projects for which there is an immediate need. About $20 million were approved by Japan and $1.1 million by the Netherlands as their contributions to the Bank's special fund for agricultural development. Denmark also would extend $2.3 million for the Bank's agricultural and technical assistance activities.

Another significant achievement of the meeting was that pledges were made by India, Pakistan and Korea to extend technical assistance to fellow developing members of the Bank. The third important development related to widespread interest among members in making use of the Bank for increasing inter-regional trade and for evolving a regional payments arrangement.

The Deputy Prime Minister, Mr Morarji Desai, India's representative at the conference, pacified the smaller member countries of the ADB, who had expressed fears that the resources of the Bank would not be sufficiently available to them if India had to depend on the Bank, by saying that the funds of the Bank would not be of any great benefit to his country and hence India would not be drawing heavily on the resources of the Bank.

LIBERAL FOREIGN EXCHANGE FOR EXPORTERS

In a bid to promote exports, the Reserve Bank has liberalised the scheme for release of foreign exchange to exporters and registered export houses. Under the liberalised scheme, the facility of blanket release of exchange will be granted to exporters of traditional goods provided their exports in the previous year were not less than Rs 25 lakhs and to exporters of non-traditional goods whose exports in the previous year were not less than Rs 5 lakhs. The exporting firms, registered with the Commerce Ministry as export houses will also be eligible for grant of blanket exchange permits irrespective of their past performance. Further, the foreign exchange released under blanket permits will in future be available for use not only for travel abroad but also for purposes of export promotion such as market studies conducted by specialists deputed from India or through marketing research organisations abroad; advertising abroad; participation in overseas exhibitions, trade fairs and trade centres of India and securing samples from abroad and for obtaining technical information relating to export products and commodities. The amount of exchange authorised under blanket permits which have already been issued and are still valid will, accordingly, be enhanced by 50 per cent on application by holders concerned.

INDO-AFGHAN TRADE ARRANGEMENT

The union Commerce Minister, Mr Dinesh Singh, and his Afghan counterpart, Mr Nour Ali, discussed in New Delhi recently matters relating to trade between India and Afghanistan. Both of them were of the view that their respective governments were not sparing any effort to further strengthen and simplify the existing trade relations between the two countries. It was agreed at the meeting that the delegations of the two countries would meet soon in Kabul to reach agreement on the various proposals on which ideas were exchanged between the two ministers. In particular, the two delegations would consider possibilities for simplifying payments arrangements, prevention of diversion and dismantling of restrictions over as wide a field of trade exchanges as may be found to be necessary and practicable. Both the ministers recognised the importance of the traditional land route for the smooth flow of trade between the two countries.

INDO-U.A.R. ACCORD ON TAXATION

Delegations of the United Arab Republic and India held discussions in New Delhi between April 3 and 10 to finalise the text of a convention for the avoidance of double taxation of which a draft had been prepared and initialled by the negotiating teams of the two countries in Cairo on September 29, 1964. As a result of current discussions, the two delegations have agreed to make certain modifications in the text of the draft convention and draft letters to be exchanged. The revised drafts will be submitted by the two delegations to their respective governments for consideration and approval.

NEW FOOD ZONES

The modified zonal pattern for various foodgrains allows free movement of gram and barley throughout the country. Restrictions on the movement of maize, bajra and jowar from the states of Punjab, Haryana and Rajasthan have been lifted from March 28. A similar order lifting the restriction on the movement of these coarse grains from Delhi was issued on April 2. Jammu & Kashmir and Himachal Pradesh, incidentally, had imposed no restrictions even earlier. There are no restrictions on inward movement of these grains at present in any state. The northern zone for the movement of rice and wheat has been enlarged and now consists of Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir and the union territories of Delhi and Chandigarh.

CORPORATION TO RUN 'SICK' MILLS

A new public sector undertaking, the National Textile Corporation, has been formed to run 'sick' textile mills. The main objects of the corporation are: to run textile mills entrusted to it by the central government; to establish cotton mills and run them; to enter into partnership business with any other company, body corporate or person carrying on textile business, and to manufacture and deal in all kinds of knitting yarn etc. The authorised capital of the company is Rs 10 crores.

L.I.C.

The Life Insurance Corporation has ended the year 1967-68 with a proposed new business of Rs 902.75 crores under 15.15 lakh proposals. Of this and the proposals pending at the beginning of the year, a business of Rs 844.51 crores assuring 14.31 lakh policies has been completed. Apart from the fact that there is an increase in the new business amounting to Rs 74.24 crores over the new business written as at March 31, 1967, the corporation has set up a new record in as much as it has also exceeded the highest output of Rs 794 crores recorded in 1965-66. The corporation has also progressed in the field of general insurance, having secured a gross premium income of over Rs 12.09 crores in the year, representing 22 per cent in fire insurance, 46 per cent in marine insurance and 32 per cent in accident and miscellaneous insurance classes. The comparative figure of premium income for the year 1966-67 was Rs 7 crores.

INDIAN TELEPHONE INDUSTRIES

Indian Telephone Industries, Bangalore, has reported excellent results during the year ended March 31, 1968. Its turnover during 1967-68 amounted to Rs 20.50 crores, representing an increase of 30 per cent over the previous year. The crossbar exchange equipment contributed nearly Rs 6 crores to the turnover. During the year, ITI supplied microwave equipment to various microwave links in the country and supervisory remote control equipment for two of the electrified routes of Indian Railways. It also supplied four megacycle transmission equipment capable of providing 960 telephone channels on underground coaxial cables for Madras-Ernakulam, Jullunder-Amritsar and Ahmedabad-Rajkot routes. During the year, ITI exported Rs 50 lakhs worth of equipment to the UK, Ireland, Brazil, Iran and Egypt. Orders from east African post and telegraph administration were also partially executed during the year.

H.M.T. WATCHES

The Hindustan Machine Tools watch factory turned out 250,000 watches during 1967-68 as compared with 240,100 watches in the previous year. Besides the usual varieties, viz., 'Citizen' 'Janata' and 'Sujata', the HMT watch factory introduced the 'Pilot'—black luminous dial watch—initially for the flying crew and it is now being made available through regular sales channels. The factory is also manufacturing a special variety for export, viz., the gold-plated 'Sona'. During the year under report 245.817 watches were sold as against 240,347 during the corresponding period of the previous year. HMT's new calendar watches would be in the market soon, the prototype of which is on test at present.

As recently announced by Air-India, HMT watches will now be available on Air-India's international flights, as part of the State Trading Corporation's sales promotion.

HINDUSTAN INSECTICIDES

The Udyogamandal factory of the state-owned Hindustan Insecticides, the first Government of India undertaking to be set up in Kerala, has achieved a new record in the production of its primary product, namely, technical DDT, during 1967-68. The Alwaye factory in 1967-68 produced 1606.1 tonnes as compared with 1536.8 tonnes of last year which was also an all-time record since the inception of the factory in 1958 and as against the rated capacity of the plant of 1344 tonnes. The factory is setting up a new insecticides plant for the manufacture of 3,000 tonnes of Benzene Hexachloride (BHC) used as an agriculture chemical in the cultivation of paddy, wheat, cotton and tobacco crops. The production of DDT at the Delhi factory of the company was also excellent during the year 1967-68. The factory produced 1495.528 tonnes of technical DDT against the rated capacity of 1344 tonnes for the plant.

SEMINAR ON BUSINESS FORECASTING

A three-day seminar on Business Forecasting for Top Management was held in Bombay towards the close of last month. Among the participants were representatives from Burmah-Shell, State Bank of India, Standard Batteries, Kaycee Industries, Krishna Steel and western group of engineering industries. Speaking at the seminar, Brig. B. M. Chakravarti, Kamanis' Adviser for Planning, emphasized the role of strategic planning in management. The general trend in industrial activities, he said, was to reach a state where the product, its availability, quality and price would be equalised. At this stage a new factor would come into play upon which depend the growth and success of the business. This factor was management competence. Amongst the most important functions of a competent management was the ability to anticipate the future demands of the society. Thus strategic planning and forecasting, he said, would have an important role to play for a company's growth, nay even for its very existence.

Mr T. T. Mirchandani, Managing Director of J. B. Advani Oerlikon Electrodes Pvt Ltd. pointed out how it was not possible to get results until serious thinking and planning was resorted to before launching any new project or activity. Planning, he asserted, was not just an arm-chair talk but a definite management tool which must be used if a company is to survive in modern times. Mr G. R. Mansukhani, Editor, Market Letter and author of Business Forecasting, gave a graphic exposition of the tools and methods of forecasting employed by the National Bureau of Economic Research (NBER), New York, and explained how they could be applied to Indian conditions. He agreed with the view of the NBER that a purely statistical approach to forecasting problems was not an adequate solution. As statistics is "inherently" not up-to-date even in advanced countries, he said, it is not a reliable guide for business forecasting. Experience also confirms this view.

Mr N. H. Atthreya, Editor, Management Ideas, pointed out that very few companies excluding a few large corporations, government and semi-government bodies had the resources and staff to carry on the study of scientific forecasting. The consensus was that here was a field about which very little was known and that management at large was woefully lagging behind in the use and knowledge of modern tools of business forecasting and analysis. It was decided that a non-profit society be set up for the advancement of scientific planning and forecasting as a service to the business at large.

RAILWAY ACCIDENTS INQUIRY COMMITTEE

A high-powered committee, headed by Mr K. N. Wanchoo, retired Chief Justice of India, has been appointed to look into the causes leading to accidents on the Indian Railways, with particular reference to the implementation of the recommendations of the Railway Accidents Committee of 1962. The newly constituted body will be known as the Railway Accidents Inquiry Committee 1968 and will have as members Mr M. R. Masani, MP, Mr S. R. Vasavada, president of National Federation of Indian Railwaymen, Mr F. C. Badhwar, retired chairman, Railway Board, and Mr P. B. Aibara, Commissioner of Railway Safety. The terms of reference of the committee are to review the position of accidents on the Indian Railways since the appointment of the Railway Accidents Committee 1962, in the light of recommendations made by it and the implementation thereof, and to suggest measures for further minimising the accidents. The committee will endeavour to complete their work as early as possible.

Foundation Day of Punjab National Bank: The union Home Minister, Mr Y. B. Chavan, appreciated the farm finance schemes which the Punjab National Bank has introduced recently and commended the role played by it in the country's economic development. He was speaking at a function held in New Delhi to celebrate the bank's 73rd foundation day. Talking of social control of commercial banks, the Home Minister said that the measures proposed were designed to streamline the functioning of the banking institutions and also to make their activities above suspicion.

Earlier, the Chairman of the Bank, Mr S. C. Trikha, in his welcome address, traced the chequered history of the bank and recalled the nationalistic spirit behind its establishment. Now, one of the five big banks, in our country, the Punjab National Bank was described by Mr Trikha as the "common man's bank". It has deposits of Rs 313 crores, reserves of about Rs 4.5 crores, and working funds of Rs 410 crores. It has a staff of about 13,000 working in over 500 offices. Mr Trikha said that the bank was proud of its contribution to the industrial growth, and its advances to the industrial sector account for over 70 per cent of its total loans. In the field of agriculture, the bank has already been extending sizable credit for production, processing and marketing of commercial crops as well as industrial units manufacturing end products used in agricultural operations.

Plea for Revision of Fents' Definition: The decision of the Central Board of Excise and Customs to reduce the length of fents for the purpose of assessment and clearance from 2.1 metres to 1.5 metres has come as a shock to the industry. The occurance of fents is incidental to the production process and is due to defects in weaving and processing. According to the new definition, pieces of cloth of length ranging between 1.5 metres and 2.1 metres would be charged to full duty, which would make such small pieces unsaleable as they would not be able to absorb such a high rate of duty. The cotton mill industry is already passing through difficult times and the change in the definition of fents is going to add to its hardships. The Indian Cotton Mills' Federation has therefore urged the government to revert to its old definition of fents. Pending final consideration of this matter, the Federation has requested that immediate relief be given to mills by allowing them to clear all bales of fents packed prior to March 20, 1968, according to the old definition.

Committee for Co-operation with UNIDO: The newly set up Indian National Committee for co-operation with the United Nations Industrial Development Organisation, held its first meeting on April 8, under the chairmanship of the Minister for Industrial Development, Mr Fakhruddin Ali Ahmed. The committee includes the members of the standing committee of the Central Advisory Council for Industries and eight secretaries to the Government of India dealing with the departments of Industrial Development, External Affairs, Economic Affairs, Commerce, Petroleum and Chemicals, Iron and Steel, Mines and Metals and Planning Commission. Besides, the Directors-General of the Council of Scientific and Industrial Research, and Technical Development are members of the committee. The committee has been set up in response to a recommendation made by the International Symposium on Industrial Development convened by the UNIDO in Athens during November-December 1967. The committee will advise the government and the member-institutions with regard to the questions related to the activities of the UNIDO. The UNIDO, which is a specialised agency of the United Nations, is charged with promoting industrial development and assisting in accelerating industrialisation in the developing countries. It has also become a participating agency in the United Nations Development Programme (UNDP). It has been assigned the responsibility for executing 18 (UNDP) industrial projects in a number of developing countries such as Algeria, Bulgaria, Indonesia, Malaysia, the Philippines and the United Arab Republic. In 1967, the United Nations General Assembly had approved a budget of $5,729,500 for administrative and research activities of the UNIDO.

Six More Items Under OGL: Six more items have been put under open general licence. They are: cashewnut; wattle extract; wattle bark; bark for tanning, excluding wattle bark; hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon; dyeing and tanning substances, all sorts, not otherwise specified, excluding wattle extracts and the articles specified in S. No. 5 of part V of the Import Trade Control Schedule.

Interest Rate Reduced on Post Office Savings: With effect from April 1, 1968, the rate of interest on the balance at credit in the post office savings bank of single, joint and provident fund accounts has been reduced from 4 per cent to 3.5 per cent. For security deposit accounts and in the case of other accounts the rate will be three per cent instead of 3.5 per cent as at present. In the case of public accounts, the rate will continue to be 3.5 per cent on any balance not exceeding Rs 50,000 and will be 3 per cent on the remainder of the balance.

Banking Service Charges to be Enhanced: The service charges in banking industry are being revised upwards with effect from May 1. The major scheduled commercial banks including exchange banks have agreed to the revision which will be in the form of an inter-bank agreement laying down the minimum charges for various banking services such as safe custody of documents, collection of bills etc. This may yield an additional income of about Rs 1 to Rs 1.5 crores to the banks.

Commercial Broadcasting to be Extended: The commercial broadcasting service of All India Radio will be shortly extended to Delhi, Madras and Calcutta. The pilot project which started functioning at Bombay, Poona and Nagpur in November last has proved extremely popular with trade and industry and is expected to yield an annual income of Rs 45 lakhs.

Molasses Control Order to Cover Khandsari Units: The Government of India has extended the Molasses Control Order, 1961, to khandsari units. The order will come into force in the states when the state governments request the centre that the provisions of the order may be extended.

Beet Sugar Pilot Project Launched: A pilot project for manufacturing sugar from beet on experimental basis was inaugurated at Ganganagar on April 12. It has been set up by the Ganganagar Sugar Mills Ltd, a Rajasthan government undertaking, in collaboration with the Government of India. The miniature plant, having a capacity of 25 tonnes per day, has been provided by the National Sugar Institute for the experiment.

Russian Order for Indian Shirts: An order for the export of 350,000 shirts worth Rs 78 lakhs to the USSR has been secured by Excel Wear, a leading garment unit in Bombay, through the State Trading Corporation of India. One lakh shirts are to be of pure wool and the remaining of terry wool. The shirts will be in 11 shades, ranging from 37 to 44 cms in size.

Rayon Exports: Through the efforts of the Rayon Export Promotion Council, Amritsar's textile industry has received an order for the supply of 1.5 million metres of rayon fabrics to Canada and Iraq.

First Export Order for HEL: The state-owned Heavy Electricals Factory at Bhopal has received its first order for supplying some drip-proof slipring induction motors complete with associated starter switches and rotor starters to the UAR.

Bailadila Project: The Rs 23-crore Bailadila project, claimed to be the biggest mechanised iron ore project in the east, went into production on April 7—earlier than expected—despatching 4,500 tonnes of mechanised ore for export to Japan.

Jute Area and Production up in 1967-68: The all-India final estimate of jute for 1967-68 puts the area and production at 885,300 hectares and 63,69,200 bales of 180 kgs, each respectively. This shows an increase of 88,500 hectares or 11.1 per cent in area and 10,11,300 bales or 18.9 per cent in production of jute during the current year over the partially revised estimates for 1966-67. The production of jute during the current year has touched a new record level, having surpassed the earlier peak level of 63.58 lakh bales attained in 1961-62. During the current year the increase in area under jute has been reported by all the jute growing states except Bihar and Tripura while increase in production has been reported mainly by West Bengal and to a lesser extent by Orissa, Assam and Uttar Pradesh.

Big Export Orders for Easun Group: Easun Group of Madras has recently secured an order of above Rs 1 crore for supplying 132 kV transmission line work to Kuwait. It is also likely to get an assignment for 132 kV sub-station work involving 45 mVa transformer. Within the country the group enjoys the unique distinction of having introduced several firsts in its production range apart from executing biggest orders for several indigenous firms in the public and private sectors. Last year, for instance, it manufactured the largest switchboard for the Andhra Sugars. In addition, it has been supplying 30 mVa 132/33 kV power transformers weighing 65 tons—the first and the largest built in the private sector—to the West Bengal State Electricity Board. Its HHE 220/132/kV single phase auto transformer is also claimed to be the first of its type to be manufactured in the country. All these outstanding achievements have been made possible thanks to the close collaboration ties Easuns have with Hackbridge & Hewittic Electric Company Ltd of the UK considered to be one of the biggest manufacturers of transformers in the world.

Company Affairs

JAY SHREE TEA

QUITE IMPRESSIVE working results have been reported by Jay Shree Tea and Industries Ltd during the year ended December 31, 1967. According to the preliminary statement, the company has earned a substantially higher net profit of Rs 48.49 lakhs as compared with Rs 27.18 lakhs in the previous year. The directors have, however, decided to maintain the equity dividend at 11.5 per cent.

The appropriation to depreciation reserve was raised by Rs 4.07 lakhs to Rs 29.84 lakhs while the allotment to development rebate reserve was enhanced by Rs 0.98 lakh to Rs 4.84 lakhs. Managing agents' remuneration claimed Rs 6.71 lakhs as against Rs 5.31 lakhs in 1966 while taxation absorbed Rs 46.50 lakhs as compared with Rs 34.50 lakhs in the previous year. The appropriation to development allowance reserve was reduced by Rs 0.40 lakh to Rs 2.50 lakhs. After bringing in Rs 17,500 the directors have transferred a sum of Rs 43.21 lakhs to general reserve as against Rs 24.28 lakhs provided in the preceding year. The preference dividend will absorb Rs 5.33 lakhs. The surplus of Rs 12,326 has been carried forward to next year's accounts.

CIMMCO

Central India Machinery Manufacturing Co Ltd is offering for public subscription for cash at par 25,000 cumulative redeemable preference shares of Rs 100 each carrying an interest of 9.5 per cent per annum. Application for shares must be for a minimum of five shares or in multiples thereof. The amount is payable in full on application. The subscription list opened on April 17 and will close on April 24 or earlier at the discretion of the directors but not earlier than April 22, 1968. The public issue is fully underwritten.

The company is manufacturing powerlooms and automatic looms, calendar bowls, warping and winding machines and other textile machinery at its factory at Gwalior, wagons and other structural jobs at Bharatpur, Rajasthan, and shuttles at its factory at Jogeshwari, Bombay. A steel foundry was also set up by the company in 1964 at Birlanagar for the manufacture of steel castings and machining jobs. The company took over the cycle factory of Messrs Hind Cycles Ltd, Bombay, on lease in 1964 for a period of three years. The lease has been extended for a further period of three years and this unit is manufacturing cycles and certain defence items. The company is now expanding its existing activities and the proceeds of the present issue will be utilised for financing a part of the expansion programmes.

CENTRAL BANK

Central Bank of India Ltd has reported significant progress during the year ended December 31, 1967, with deposits, advances and working funds surpassing the previous year's level by sizable margins. Deposits touched an all-time peak of Rs 395.37 crores, recording a sizable expansion of Rs 35.49 crores over the preceding year. Advances jumped to Rs 277.52 crores from Rs 257.18 crores while investments were up by Rs 14 crores to Rs 110.60 crores, a major part of the increase in investments being in central and state government securities including treasury bills. The bank's earnings from interest and discount improved from Rs 22.02 crores to Rs 25.35 crores while the income from commission, exchange and brokerage was a shade higher at Rs 4.77 crores as compared with Rs 4.31 crores in the previous year. On the expenditure side, the outgo by way of interest on deposits and borrowings went up by Rs 1.98 crores to Rs 15.11 crores while disbursements by way of salaries and allowances, contributions to provident fund and bonus to staff increased by as much as Rs 1.70 crores to Rs 11.58 crores. The net profit, after providing for bonus to staff, amounted to Rs 119.73 lakhs as compared with Rs 133.39 lakhs in 1966. With the sum of Rs 17,348 brought forward from the previous year, the total amount available for appropriation came to Rs 119.90 lakhs.

The interim dividend paid at the rate of Rs 2.40 per share absorbed Rs 45.87 lakhs. A sum of Rs 23.95 lakhs was allocated to reserve fund as compared with Rs 45.28 lakhs in the previous year while the amount transferred to special reserve was stepped up by Rs 6.70 lakhs to Rs 49.70 lakhs. This leaves a surplus of Rs 37,891 which has been carried forward to next year's accounts. The directors have recommended a final dividend at the rate of Rs 2.60 per share, making in all 20 per cent gross for the whole year, on 19,11,287 shares which will claim Rs 49.69 lakhs. During the year four branches, 10 sub-branches and 14 pay offices were opened by the bank at various centres. In all the bank had 459 offices at the end of last year.

In pursuance of the amalgamation scheme, 1370 ordinary shares of the bank were allotted to the former shareholders of Jodhpur Commercial Bank Ltd during the year under review and a further allotment of shares will be made shortly.

DENA BANK

Excellent working results have been reported by Dena Bank Ltd during the year ended December 31, 1967. Deposits for the first time crossed the Rs 100-crore mark and stood at a new high of Rs 102.10 crores as against Rs 95.26 crores at the end of 1966. The number of accounts maintained with the bank increased by as much as 60,000 to 535,000. Advances shot up to Rs 64.44 crores, recording a significant rise of Rs 4.61 crores over the preceding year while investments were higher at Rs 38.57 crores as compared with Rs 33.17 crores in the previous year. The earnings from interest and discount improved from Rs 5.58 crores to Rs 6.67 crores while the revenue from commission, exchange and brokerage went up by Rs 4.76 lakhs to Rs 78.04 lakhs. On the expenditure side, the interest paid on deposits and borrowings rose from Rs 3.44 crores to Rs 4.02 crores while the payment to staff by way of salaries, allowances and provident fund claimed Rs 2.36 crores as against Rs 1.87 crores a year ago. The net profit, after providing for taxation, amounted to Rs 33.03 lakhs, an increase of Rs 1.83 lakhs over 1966. Adding the sum of Rs 42,364 brought forward, the total amount available for appropriations came to Rs 33.46 lakhs. Out of this, the interim dividend paid at the rate of Rs 2.00 per share absorbed Rs 5 lakhs while the allocation to reserve fund was maintained at Rs 10 lakhs. The directors have recommended a final dividend at the rate of Rs 4 per share, making in all 12 per cent for 1967, and this will consume Rs 10.00 lakhs. The surplus of Rs 8.46 lakhs, subject to payment of bonus to staff, has been carried forward to next year's accounts. Twelve branches were opened during the year. Thus the bank had a vast network of 186 offices functioning in 13 states at the end of last year.

UNITED BANK OF INDIA

The United Bank of India Ltd has reported all-round improvement in its working results during the year ended December 31, 1967. The profit, after providing for taxation but before payment of bonus to staff, was significantly higher at Rs 60.16 lakhs as compared with Rs 52.41 lakhs in 1966. The amount set apart for payment of bonus to staff was enhanced by Rs 8.06 lakhs to Rs 34.16 lakhs. The directors have maintained the dividend at 7.5 per cent per annum, which will absorb Rs 20.20 lakhs. A sum of Rs 5.50 lakhs was transferred to reserves, carrying the reserves to Rs 1.28 crores. Deposits increased during the year by as much as Rs 16 crores or by 14 per cent to Rs 130.23 crores while advances went up by Rs 8.43 crores to Rs 87.61 crores. But the advance-deposit ratio slipped from 69.3 per cent to 67.2 per cent. The bank's investments in government securities and other trustee securities went up from Rs 27.94 crores to Rs 33.17 crores, recording a rise of 18 per cent over 1966. The bank opened during 1967, 15 new branches, one third of them being in unbanked areas.

GUJARAT STATE FERTILIZERS

With the implementation of the expansion programme, Gujarat State Fertilizers Company Ltd will have the rare distinction of being the biggest in Asia. The completion of seven mammoth plants in the complex in a record period of about 22 months and starting of trial production within a fantastic period of about 25 months makes the company one of the best fertilizer plants in the world. What is more, the entire complex is a cent per cent swadeshi enterprise, with no collaboration whatsoever in any field—technical, financial or managerial. It is interesting to note that more than 25,000 farmers from all over Gujarat are having the proud privilege of being the shareholders of the company. They have invested about 65 lakhs of rupees in the company's share capital.

Most modern and up-to-date techniques, some of which are introduced for the first time in India and Asia, have been adopted by the company in its manufacturing processes. It has just completed an eventful financial year with around eight and a half months production. About 117,533 tonnes of high-analysis and other fertilizers have been produced over and above chemicals such as sulphuric acid, phosphoric acid and ammonia during the past eight and a half months. By nutrient value, the products yield around 54,000 tonnes of nitrogen and P2O5. The total sales value of these products is around Rs 10 crores and about 12 million dollars have been saved in foreign exchange, which is around 50 per cent of the foreign exchange spent on this project.

The company had a commissioning period up to December and went into commercial production thereafter. During the period December to March, it produced 72,000 tonnes of fertilizers at over 60 per cent of the capacity. During this period, the urea plant worked at 100 per cent capacity and produced 34,207 tonnes of urea. The urea plant, indeed, started operating at cent per cent capacity from the very end of the fourth month after commissioning. The expansion scheme and caprolactum programme have also been taken in hand and these schemes will be financed out of the internal resources of the company.

Apart from meeting the full requirements of fertilizers for Gujarat state, the company is now selling fertilizers all over the country. The working results reveal that the company has been able to pay not only the heavy interest charges accruing during 1967-68 but also all the instalments of suppliers' credit. Further after setting apart enough funds for expansion and providing adequate stocks of sulphur and phosphate rock for the five months of 1968-69, the company has been able to earn a surplus of Rs 1.36 crores. This has been achieved in spite of the fact that the company had sold its fertilizers at pool prices or sometimes even lower than pool price and that too after supplying fertilizers of higher nutrient content. Recently the company has been given an assignment to advise the Ceylon Fertilizer Corporation, the Government of Ceylon's vast fertilizer complex.

CEAT TYRES

Spectacular rise in sales and profits have been reported by Ceat Tyres of India Ltd during the year ended December 31, 1967. Sales spurted to Rs 18.3 crores from Rs 12.3 crores while gross profit leaped to Rs 1.62 crores, registering a marked expansion of Rs 1.10 crores or 212 per cent over 1966. The directors have declared a higher equity dividend of nine per cent as against six per cent paid in the previous year. The proposed dividend will be paid out of the general reserve.

The provision for depreciation was raised by Rs 1.63 lakhs to Rs 34.59 lakhs while the appropriation to development rebate reserve was enhanced by Rs 1.84 lakhs to Rs 3.68 lakhs. A sum of Rs 57.00 lakhs was transferred to taxation reserve as against no allocation in the preceding year. The net profit, after these allotments, was significantly higher at Rs 66.68 lakhs as against Rs 16.94 lakhs in the previous year. Out of the net profit, the directors have transferred a sum of Rs 56.68 lakhs to general reserve as compared with Rs 0.38 lakh a year ago while a sum of Rs 10 lakhs was set apart to dividend equalisation reserve as against no appropriation a year ago. In 1966 dividend absorbed Rs 16.56 lakhs.

KERALA RUBBER

Kerala Rubber and Reclaims Ltd entered the capital market on April 18, 1968, with a public issue of Rs 17.35 lakhs. The company has an authorised capital of Rs 30 lakhs and an issued capital of Rs 25 lakhs. Out of the issued capital, the promoters, directors, their friends and associates have subscribed to equity shares worth Rs 7.65 lakhs. The company is now offering for public subscription for cash at par 73,500 equity shares of Rs 10 each and 100,000 preference shares of Rs 10 each carrying an interest of 9.5 per cent per annum. The preference capital of Rs 10 lakhs and equity shares of the value of Rs 7 lakhs have been underwritten by financial institutions and leading stock brokers. The remaining 3,500 equity shares of Rs 10 each have been underwritten by the managing agents of the company. A sum of Rs 2.50 per share is payable along with the application and a like amount on allotment. The balance of Rs 5 has to be paid when called up in instalments. The subscription list will close on April 30, 1968.

The company proposes to manufacture 4,500 tonnes of reclaim rubber per year out of waste rubber at its factory at Mamala, near Cochin harbour. The company will be the first firm in India to produce reclaim rubber under 'reclamation' process where no steam is used. The US Rubber Reclaiming Co. Inc., which has the unique position in the world for holding the patent for this 'reclamation' process is collaborating with the company in this venture. The government has approved this patented process for which a royalty has to be paid to the collaborators.

Due to the comparatively low capital cost of the project and as the process is acclaimed to be the world's best and as the company will be the only concessionaire for this patent right at present in south-east Asia, the company hopes to achieve the break-even point at a relatively low percentage of the installed capacity. As the company can easily achieve production at the full rated capacity early, the gestation period will be less and attractive returns can be expected.

NOCIL

National Organic Chemical Industries Ltd has reported satisfactory progress during the nine-month period ended December 31, 1967. All the units, except the PVC plant, the PVC compounding plant and the alcohol plant have been completed and the sale of their products is expected to begin shortly.

The company's naphtha cracker started its operations early this year and it was followed by the commencement of production by the solvents plant, the ethylene oxide plant and the butadiene plant in the first quarter of the current year. The sale of ethylene to Polyolefins Industries Limited began last month.

The working of the company during the nine months ended December 31, 1967 has resulted in a loss of Rs 12.19 lakhs as against a loss of Rs 16.84 lakhs in the year ended March 31, 1967. The loss has been arrived at after setting apart Rs 2.41 lakhs for depreciation and Rs 216.36 lakhs towards construction expenditure as compared with Rs 1.62 lakhs and Rs 137.78 lakhs provided respectively in the previous year. No appropriation has been made for taxation as against Rs 4.50 lakhs allocated in the preceding year. After bringing in the deficit of Rs 18.75 lakhs, the accumulated loss comes to Rs 30.93 lakhs which has been carried forward.

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 January 6, 1968. The list contains the names and addresses of the licencees, articles of manufacture, types of licences—New Undertaking (N.U.); Substantial Expansion (S.E.); New Article (N.A.); Carry on Business (C.O.B.); Shifting—and annual installed capacity.

During the Week ended December 30, 1967

LICENCES ISSUED

Inorganic Heavy Chemicals

M/s Excel Industries Ltd., 184-87, Swami Vivekanand Rd., Jogeshwari, Bombay-60. BR. (Jogeshwari, Bombay, Maharashtra)—Aluminium Chloride—1000 tonnes—(N.A.).

Dyestuffs

M/s National Chemicals Industries, 26-Najafgarh Road, Industrial Area, New Delhi-15. (Delhi)—B.O.N. Acid—204 tonnes—(S.E.).

Drugs & Pharmaceuticals

M/s Sarabhai Chemicals, Wadi Wadi, Baroda. (Baroda, Gujarat) Talsutin Vaginal Tablets—15,00,000 tablets—(S.E.); M/s Bayer (India) Ltd., Nagin Mahal, 82, Veer Nariman Road, Bombay-1.—Mesulphen BPC—10 tonnes—(S.E.).

Textiles

M/s Eldee Velvet & Silk Mills Private Limited, Delisle Road, Bombay-13. (Bombay, Maharashtra)—Manufacture of Art Silk fabrics with a total capacity of 45 Powerlooms will be shifted from Delisle Road, Bombay to Castle Mills Compound, Asra Road, Thana, Bombay, Maharashtra State)—(change of location).

LETTERS OF INTENT

Prime Movers

M/s Acme Manufacturing Co. Ltd., Wadala, Post Box No. 7102, Bombay-31.DD. (Maharashtra)—Valve Intake and Valve Exhaust—From 9 lakhs nos. to 18 lakhs nos.—(S.E.).

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

From M/s Central India Coalfields Ltd., Calcutta. to M/s Western Bengal Coalfields Ltd., Calcutta.; From M/s Siemens Engineering & Manufacturing Co. of India Limited, Bombay. to M/s Siemens India Ltd., Bombay.

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

M/s Britannia Engineering Company Limited, Calcutta.—E.O.T. Cranes; M/s Bowreah Cotton Mills Co. Ltd., Calcutta.—Cotton Waste Yarn; M/s Baroda District Co-operative Spinning Mills Ltd., Baroda—Cotton Yarn; Shri M. K. V. Reddy, Director, M/s Venkatalakshmi Mills Ltd., Hyderabad—Cotton Yarn.

During the Week ended January 6, 1968

LICENCES ISSUED

Iron & Steel Pipes

M/s Dodsal Private Ltd., Mafatlal House, Backbay Reclamation P.B. No. 10102, Bombay-1. (Baroda, Gujarat State)—Pipe Special—1200 tonnes—(N.U.).

Conveying Equipment

M/s Otis Elevator Company (India) Ltd., Gateway Building, Apollo Bunder, Bombay-1. (Bombay - Maharashtra) Lifts—Present capacity—240 nos; Expansion Envisaged—240 nos; Capacity after expansion—480 nos—(S.E.).

LETTERS OF INTENT

Machine Tools

Managing Director, Hindustan Machine Tools Ltd., Bangalore-31. **Undertaking:** M/s H.M.T.—Verson Private Limited, (Hyderabad, Andhra Pradesh)—All types of Presses, Press Brakes, Shears including but not limited to Mechanical Presses, Hydraulic Presses, Transmat Presses, Press Brakes, Shears, Impact Extrusion Presses, Special Presses, Verson-Wheel Presses, Auxiliary and Accessory Equipment—(N.U.).

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

Original Licensee—Shri Khemchand Rajkumar Calcutta—**New Undertaking**—M/s Electrolytic Tinplates Pvt. Ltd., Bombay. From M/s Siemens Engineering & Manufacturing Co. of India Ltd., Bombay. to M/s Siemens India Ltd., Bombay.

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

M/s R.R. Engineering Co., Bareilly—Milling Machines, Slotting Machines, and Gear Hobbing Machines; Shri P. G. Desai, Udhna, Distt. Surat—Surface Grinding Machines; M/s Ram Chand Jagdish Chand, Calcutta—H.T. and L.T. Insulators.

BOOKS BRIEFLY

For Improved Agriculture

More Food Through Controlled Agriculture-: Dr S. C. Jain; Pp 108.

Problems of Agricultural Development in India: Edited by Dr S. C. Jain; Published by Kitab Mahal, Allahabad; Pp 172.

Reviewed by D. D. MEHTA

THE PROFESSED aim of writing these two books is to enthuse planners, economists, administrators and all others who are engaged in arousing mass consciousness for increasing agricultural output and transforming our agricultural economy into an industrial one. In the first brief book of 108 pages (six chapters), Dr Jain examines the poor performance of agriculture in the three five-year Plans and how lack of co-ordination between different government departments had made agriculture "nobody's" affair. While suggesting the usual stock remedies for agricultural development, Dr Jain stresses the role of private sector in agricultural development to finance the needs of cultivators and the part which the agricultural universities and the proposed (recommended by him) ministry of agricultural production and expansion can play in bringing scientists into close touch with farmers. Dr Jain has also suggested that stray cattle should be put into "concentration camps" so as to avoid damage to foodgrains and the co-operatives and fair price shops should be replaced by a syndicate of traders. One need not wholly agree with him.

The second book is a collection of papers based on a symposium organised by the Advisory Committee of the Government of Madhya Pradesh. The topics chosen are indeed relevant and the various participants, Indian and foreign, attempt an objective analysis of the problems of agriculture, unsparingly criticising both the government's land reform measures and evanescent outlook of the various political parties. But the planners and the administration need pointed tips so as to make agricultural planning more realistic from all angles, viz., needs, resources, production response to prices, proper land use, food and price policies and an integrated teaching, research and extension, rather than "ivory tower research". The value of these papers lies in that they reflect the growing interest of the people in agriculture, a sector which in this country provides three-fourths of the labour force and one-half of the Gross National Product.

The participants in the symposium did not provide any new answers to the perplexing problems in agriculture. They did not dwell upon the lessons from the western experience. Instead of being tempted to follow the Russian experiment in agriculture, it is better to consider the Japanese experience—agricultural development with relatively small direct capital outlay and a minimum of social dislocation. But the achievement of a significant rate of growth in agricultural output, though feasible, will not come about automatically. It will require concentrated and sustained efforts.

WAGES AND PRODUCTIVITY IN BRITAIN

Britain's Economic Growth, 1920-1966: A. J. Youngson; George Allen and Unwin, London; October, 1967; Pp 306; Price 35s net.

Reviewed by BANARSI DAS

HOW RAPID has been the growth of Britain's economy during the period 1920-66? What are the components of this growth? Has the rate of growth tended to decelerate after World War II? Precise answers to such questions cannot be found in the book under review. This is not because the author does not want to dabble in growthmanship. Essentially, he is analysing the changing state of the British economic affairs beginning from the end of World War I. In fact, the book is a 'reconstruction and expansion' of his earlier work 'The British Economy, 1920-1957', a title that conveys the contents of the present work more appropriately. The onerous task of reconstruction and expansion is confined to the first and the last chapters which needed updating badly. Barring the need for bringing the account up-to-date (or the futile task of including "up-to-the-minute opinions", as the blurb states), the really new element in the book appears to be the addition of a rather oddly titled section 'Comment and Analysis' to the concluding chapter. Whether this kind of 'reconstruction and expansion' of a past work should provide a writer enough justification to alter its title and market it as a new ware is rather questionable.

"On a broad view, 1920-45 was an extension of the nineteenth century......In or about 1945 the situation fundamentally altered......The principal reason was the discovery of how to harness atomic power for military uses". (p. 1) Whether it was the discovery of atomic power or the end of European colonialism, or any other factor that made 1945 the turning point of the period under study is not of much interest so long as we are sure that the post-war era is no longer a continuation of the pre-war period. But the author fails to present an effective contrast between 1945-66 and 1920-45. One reason for this is his inability to update fully chapter I. For instance, the inference concerning the declining importance of European exports in world trade is based on data for the period 1913 to 1950. For two reasons one wonders if Europe has really lost its share in the world trade since 1920. Firstly, the year 1950 is the time around which most European countries recovered their pre-war levels of output. Secondly, the European members of the Common Market have made phenomenal progresss since 1950. Another instance of lack of updating of the old work is the absence of any mention of Japan in the section dealing with the continued economic progress of industrialised countries, just as there is no reference to India among the countries experiencing unprecendented growth of population. These two important omissions occur because the rapid growth of the Japanese economy as well as India's population came into prominence after the first version of this book had been written in the mid-'fifties.

"This book challenges many fashionable ideas", declares the blurb. One 'fashionable' but important idea that the author tries to whittle down in chapter I is the deterioration in terms of trade against the developing nations. In an otherwise painstaking work he does not bother to cite any data or references in support of his contention. Widely-believed ideas, whether fashionable or not, cannot be countered by merely contending to the contrary without any supporting evidence, notwithstanding the authority of a contender. In fact, it would have been more scholarly and more instructive if the author had underscored how inferences concerning terms of trade can be significantly affected by (a) the choice of the base year for comparison and (b) the composition of the commodity basket.

The story of the British economy, to which chapter I was supposed to provide a backdrop, really begins in the second chapter where the author admirably presents the issues and the problems facing Britain during the 'twenties. Divided into three sections, the chapter covers (a) the struggle for gold standard, (b) the state of the old and the emergence of the new industries, and (c) the balance of payments position. The events of the Great Depression of 1929-32 are taken up separately in chapter III before resuming the story for the 'thirties in the subsequent chapter. The war economy of 1939-45 is described in chapter V, and for this the author heavily draws on the well-known work of Hancock and Gowing, with a view to highlighting poignantly the totality of the British economic effort in her total war against the adversaries.

The concluding chapter, entitled 'Since the War, 1945-66', constitutes the main part of the book, not because it is the longest chapter in the whole work, claiming two-fifths of the whole text, but because the reader may find here some of the answers to the rather tantalizing questions with which the blurb begins: "What is wrong with Britain? Why do we have recurrent balance of payments crises? Are we really much less efficient than the Germans? Why does our share of international trade go on declining? Are the trade unions an obstacle to progress?" It is not possible to reproduce the author's answers to the above questions, for he fails to present his answers in a summary form, and the blurb describes this situation aptly that "this book......invites the reader to come to his own conclusions on the basis of the evidence." Leaving aside what the blurb writer has to say about the book, the upshots of this book are brought out lucidly in the last three pages of this chapter. Some of these are commonplace, e.g., "It is on the competitiveness of British industry (in the widest sense) that everything depends. If that can be secured, faster growth will follow. If it is not secured, no policies for growth will be effective." But some do break new ground. "Sterling must cease to be an international reserve currency within the existing framework. The vestigial traces of empire, and of imperial responsibilities, will have to go.". Finally, "above all, the principal aims of policy will have to be competitiveness and efficiency, not growth and minimum unemployment".

Mr Youngson can certainly draw some satisfaction that the present British government appears to be moving on some of the lines indicated by his analysis e.g., the recent decision to pull out of defence commitments east of the Suez. However, he may not be entirely happy with the incomes policy, for, in his view, "it is not that wages, or wages per hour, have increased faster in Britain than elsewhere, but they have increased faster relative to the increase in productivity." It is this fact, which he thinks has been appreciated insufficiently, that has seriously weakened Britain's ability to compete in foreign markets. Granting that this diagnosis of the British economy's ills is correct, a government can perhaps do little in the matter. Unless the nation as a whole realises the stakes, nothing can be done to increase productivity.

RECORDS AND STATISTICS

Foreign Collaborations

DURING THE fourth quarter of 1967 (October- December), 29 cases of foreign collaborations were approved. Of these, eight cases involved financial participation also. There were nine collaboration cases with the UK, six each with the USA and West Germany, two with France, and one each with Austria, Holland, Hungary. Japan. Panama and Sweden.

S. No.	Name of the Indian Firm	Name of the Foreign Firm	Item of Manufacture
		INDIA-U.K.	
1. (F)	M/s. W. S. Atkins Private Limited, 27, Free School Street, Calcutta-16.	M/s. V. S. Atkins & Partners of Epsom Surrey, England.	Consultancy Engineering
2.	Britannia Engineering Co., Limited, 3, Netaji Subhash Road, Calcutta-1.	M/s. Marshall Sons & Co., Limited, U.K.	Crawler, Tractors.
3. (F)	M/s. Blackie & Sons (India) Pvt. Ltd., 103/5, Fort Street, Bombay-1.	M/s. Blackie & Sons, U.K.	Publishing and Printing.
4.	English Electric Co. of India Ltd., D-3, Gillander House, 8, Netaji Subhas Road, Calcutta-1.	English Electric Co. Ltd., U.K.	Medium Air Circuit Breakers.
5. (F)	Metropoliton Industries (India) Corporation, 3/40, Adarshanagar, Worli, Bombay-18.	Shri C. G. Bhaka, U.K.	PVC Shoes, Sandals.
6.	Shri T. P. G. Nambiar, 32, Church Street, Bangalore-1.	Keyswitch Relays Ltd. London.	Miniature Power Relays.
7. (F)	Payen Talbros Pvt. Ltd., 71/3, Najafgarh Industrial Area, New Delhi-15.	i) Engineering Components Ltd., England. ii) M/s. J. Payen Ltd., England.	Gaskets.
8.	Premier Automobiles Ltd., Bombay Mutual Building, 10, Parliament Street, New Delhi.	M/s. Henry Meadows Ltd., Fallings Park, England.	Meadows Diesel Engines.
9.	M/s. Shib Banerjee Construction (P) Ltd., 20, Gariahat Road, Calcutta-19.	M/s. Consign Ltd., U.K.	Use of "ZEISSL" Pilling system.
		INDIA-U.S.A.	
10.	W. S. Insulators of India Limited, "Dhun Building", 175/1, Mount Road, Madras-2.	Westinghouse Electric International Co., 200, Park Avenue, New York, U.S.A.	Coupling Capacitors, wave traps and line matching units.
11.	Kelvinator of (India) Ltd., 28, New Industrial Town, Faridabad.	Kelvinator International Corporation of Detroit, U.S.A.	Freezers.
12.	National India Development Co. Ltd., Forjett Street, Gowalia Tank, Bombay-26.	Fogel Refrigeration Co., Philadelphia, U.S.A.	Blood Storage Refrigerators and Deep Freezers.
13. (F)	Shri R. G. Murmuria, Murmuria House, 18, Tarachand Dutt St., Calcutta-1.	Zippertubing Co., 13000 C. Broadway, Los Angeles 61, (U.S.A.).	Zippertubing (Instant Jacketing for cables electronics).
14. (F)	Time-Aids (I) Ltd., 331-333, Thambu Chetty Street, Madras-1.	General Time Corporation, U.S.A.	One-day Alarm Clocks and Pendulum Clocks.
15. (F)	Vegetable Industries & Products (P) Ltd., (to be formed)	Worthington Foods Inc., U.S.A.	Soyabean foods/High protein foods.

(F) Denotes financial participation also.

FOREIGN COLLABORATIONS (Contd)

S. No.	Name of the Indian Firm	Name of the Foreign Firm	Item of Manufacture
		INDIA-WEST GERMANY	
16. (F)	Dr. Benod B. Mehrotra, Kandla Free Trade Zone, Gandhidham.	Mr. Peter Ahders, Grindel Allee 48, Hamburg, 13.	Canning factory for juices, pickles, vegetables, jellies etc.
17.	Heavy Engineering Corporation Ltd., Ranchi.	Maschinenfabrik Herkules. Siegen, West Germany.	Four types of Roll Grinding Machines.
18.	Indian Sugar & General Engineering Corporation, Yamunanagar.	Westfalia Dinnendahl Groppel Aktiengesellechaft, Bochum, Herner Strabe, 299/Bundesrepublik Deutachl.	Multiple Cyclone Type Heat Exchanger for Dry Process Cement Plants.
19.	Jayna Time Industries (P) Limited, 7-32, Darya Ganj, Delhi-6.	M/s. D. Uhran Fabrik, West Germany.	Lever Clocks, Battery-operated Clocks & Stop Clocks.
20.	Shri Tarlok Singh C/o. Office Machines Corporation, B-3/19, Rana Pratap Bagh, Delhi-7.	Welhelm Druesicke & Co., KG Berlin, West Germany.	Steel Types for typewriters adding machines and teleprinters.
21.	M/s. Veera Industries, Syam Nagar, Veera Desai, Road, Andheri, Bombay-58-A.S.	M/s. Karl Preyer Workzueg Und Maschinenfabrik, Dabringhausen, West Germany.	Threading Machines.
		INDIA-AUSTRIA	
22.	Atul Drug House, 85, Dr. Annie Besant Road, Worli, Bombay-18.	M/s. LOIA CHEMIE Dr. Paul Low-Beer and Co., 63, Heiligenstaedterstrasse, Vienna 9, Austria.	Nicotinic Acid B.P. etc.
		INDIA-FRANCE	
23.	Kerala Electrical & Allied Engineering Co. Ltd., P. Box No. 8, Kundara (Kerala).	UNELEC, 75-Paris, France.	HRC fuses and low voltage contractors/starters.
24.	Shri Narne Prabhakar, Bhasura, 10-5-25, Masab Tank, Hyderabad-28.	M/s. Testut, Paris, France.	Automatic Counter type Weighing Machines.
		INDIA-HOLLAND	
25.	Electric Control Gear Private Ltd., Behind Arbunda Mills Ltd., Rakhial Road, Ahmedabad.	M/s. N. V. Hazemeyer, Holland.	HRC Fuses and fuse bases.
		INDIA-HUNGARY	
26.	Bharat Aluminium Co., Ltd., New Delhi.	M/s. Chemokomplex Hungarian Trading Co., of Machines and Equipment for the chemical industry, Budapest VI. Hungary.	Aluminium Plant.
		INDIA-JAPAN	
27.	Pravara Agricultural and Industrial Development Co-operative Society Ltd., Pravaranagar, Maharashtra.	Nichimen Co. Ltd., 1512-Chome Nakamosima, Kitaku, Oseka, Japan.	Power Tillers.
		INDIA-PANAMA	
28.	Agromore Limited, Mysore Road, Bangalore-26.	Amcher Products Inc., Ambler, Panama.	Weedicides etc.
		INDIA-SWEDEN	
29.	M/s. R. S. Traders, 16-People's Bldg., Sir P.M. Road, Fort, Bombay.	M/s. Metallurg Consult A.B., P.O. Box 916, Lidingo-9, Sweden.	Tungsten Filaments.

(F) Denotes financial participation also.

EASTERN ECONOMIST 17

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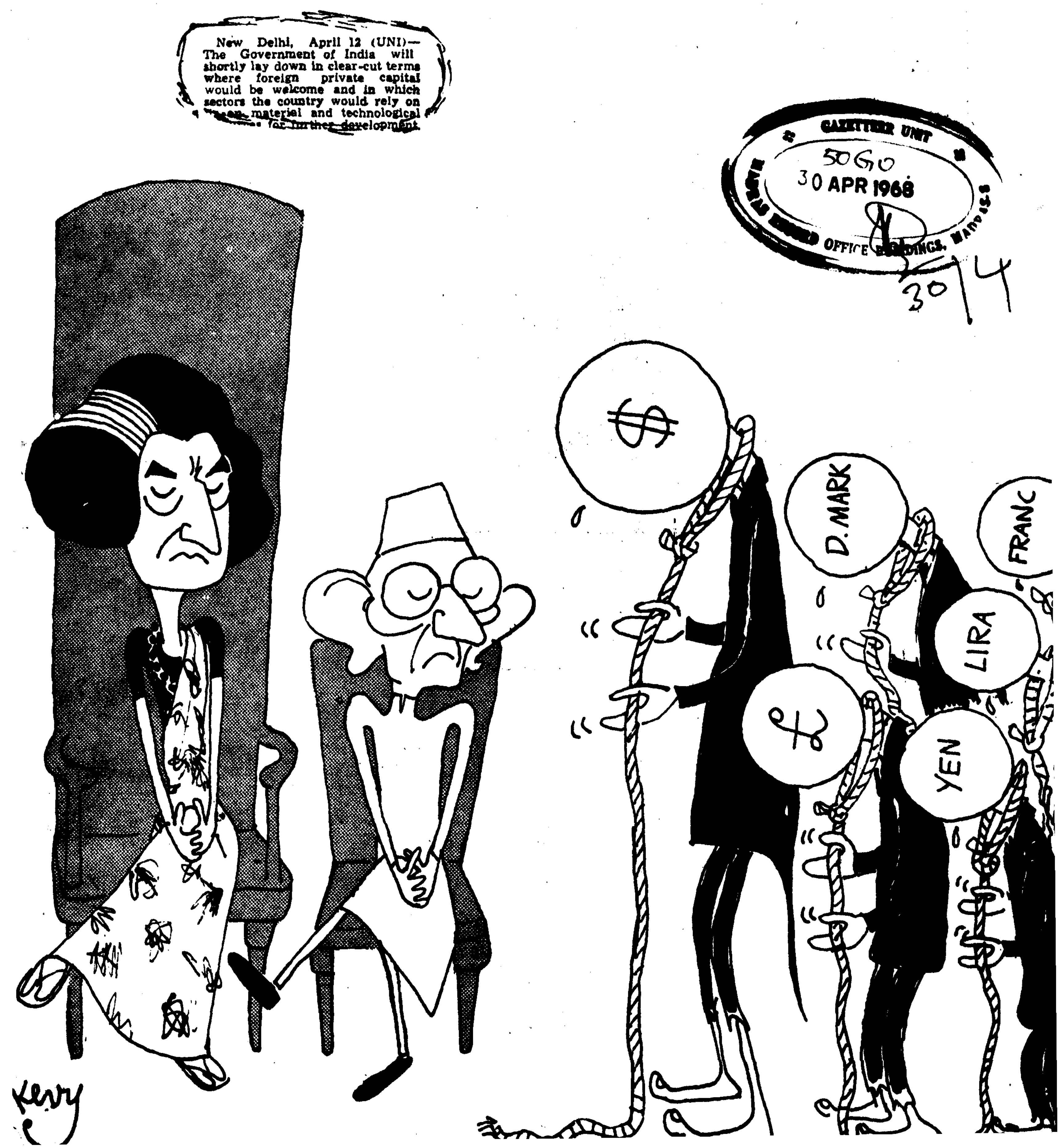

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Through the (PM's) Looking Glass

INTERVENING IN a discussion in the Lok Sabha on a non-official resolution, calling for the reorganisation of the Planning Commission on the basis of the recommendations of the Administrative Reforms Commission, the Prime Minister claimed that the nation's economic affairs had taken a turn for the better in the last two or three years. It cannot be entirely an accident that the number of years mentioned by Mrs Gandhi happens roughly to coincide with the period for which she has been our Prime Minister. This is a free country and Mrs Gandhi, of course, is entitled to put her own price-tag on her performance (which happens to be an "uncontrolled" commodity). It is to be hoped, however, that the Prime Minister's capacity for self-deception has at least limits dictated by her own self-interest. We should certainly like to know what it is in course of our economic affairs over the past two or three years which has given so much satisfaction to Mrs Gandhi. Barring the recovery and rise in agricultural production after two years of severe drought, there have been few developments in the economy to give aid and comfort to any but the most wishful. Indeed, in areas fundamental to economic stability or progress there has been some very definite deterioration. For instance, trends in industrial productivity are positively discouraging. Lack of sufficient demand has resulted in much unutilised plant capacities and, in the context of frozen labour forces, has meant high costs and uneconomic production. Dislocation of an even more serious nature has been occasioned by the chronic indiscipline among organised labour, the negative and often destructive attitudes and activities of trade unions and the intrusion of politically-motivated violence into workers' relations with managements.

There have been nearly as many losses as gains in the export trades of the nation, the emergence of new industries has practically ceased and unemployment has been aggravated even in areas where specialized skills have been fostered or trained at considerable cost to individual budgets, the public exchequer or the country's economy. To add to it all, key ministries of the government have been proved inadequate in their response to these problems and even irresponsible in their consideration of them. An economy taught through the five-year plans to depend unduly on government spending has been abruptly faced with the fact that the government is no longer able to continue to spend as much. As a consequence, there is a breakdown not only in the processes of economic development but even of normal economic activity, with no indication that things will not become much worse before they begin to get better. Can it be that Mrs Gandhi is really unaware of all this and living in a private world of her own where the mere fact that she continues to be Prime Minister can be accepted as sufficient proof that all is well with the country?

We are not concerned here at the moment with the question whether the Administrative Reforms Commission's recommendations regarding the Planning Commission have any value or not. In fact, some of us at least may have their own reservations with regard to the manner in which the Administrative Reforms Commission itself is going about its business of reporting on efficiency and economy in government. But the fact remains that much of the machinery of government, in which is included the Planning Commission, has definitely fallen into disrepute, particularly in view of its demonstrated failure to cope with the economic and other difficulties of the nation in recent years. The issue of administrative reform has, therefore, ceased to be a matter of academic interest which could concern only political pundits or politicians with an axe to grind. The public is becoming increasingly impatient with the unwillingness of the government to reorganise itself properly for its responsibilities and functions. Quite naturally, this discontent gets directed in a special manner towards agencies and establishments, such as the Planning Commission, which have been assuming large roles in the direction of the nation's affairs The Prime Minister desires that the Planning Commission should continue to play a big part in formulating policies for economic development. This it should surely be able to do without necessarily involving itself so much in the details of the programmes and policies of individual ministries at the centre or the state governments. Those who would demand that the Planning Commission should be a virile and compact headquarters for planning strategy rather than a large and rambling field army engaging itself in "search and destroy" tactics against guerilla gangs are not necessarily enemies of planning or even the Planning Commission. The formulation of a project report for development and its interpretation in terms of day-to-day schedules and assignments are two distinct and different processes and it could be validly argued that the Planning Commission would lose more in terms of influence than it might gain in terms of authority by spreading itself over both areas

We may readily concede that the government is least qualified to reform itself and that Mrs Gandhi may, therefore, have a certain disinclination to undertake the arduous task of mending matters, but she cannot expect the country to agree with her that nothing has gone wrong with its economy and the *status quo* must therefore be deemed to suit it. On the contrary, such faith as the people may still have in the purposes and machinery of the government would disappear if wholesome changes are not effected promptly in the attitudes and the functioning of the government and its agencies, including the Planning Commission. Whether the Prime Minister likes to concede it or not, it is a fact that the Planning Commission has come to be identified over the years with a lack of realism, rigidity, an unjustified faith in centralisation and government intervention, and subservience to bureaucratic approaches and procedures.

It is true that new men have come into the Planning Commission in recent times, but more than a change of face is needed to rescue Yojana Bhavan from its past. In our view, the Planning Commission should ordinarily restrict itself to working out three or four options in development strategy on as many sets of assumptions and then leave it to the National Development Council or a committee of it to make its choice. Once a particular programme of development has been chosen, it should be left to the central ministries and the state governments to implement it in their respective spheres through individual projects and schemes. In the normal course, the Planning Commission should keep away from it all at this stage and it may seek to guide or assist only when the central or a state government invites it to do so on any particular occasion. Once these ideas are accepted, it should be easy to work out a proper organisational and administrative framework for the Planning Commission which would convert it from the flabby Leviathan that it now is into a compact and competent guiding mechanism for the planning apparatus of the nation.

Cheaper Money Is Not Enough

THE 1967-68 busy season has not presented any serious problem in regard to the marketing of a much larger volume of agricultural production and the expectations of a squeeze developing in the money market have not materialised. It had been anticipated in December last year that with higher prices for sugar in the open market, a larger cotton crop, a bumper output of oilseeds and a pick-up in industrial production, the Reserve Bank of India (RBI) would be obliged to extend liberal credit to member banks and a new record in this regard would be created. The actual developments have, however, come about in an entirely different manner and it can now be said that the pressure on the banking system has not been unmanageable at any stage. Indeed, even with heavy tax payments and a bunching of imports of raw cotton and other items, borrowing of member banks from the central banking institution amounted to only Rs 128.15 crores during the week ended March 22, 1968, against the peak level of Rs 139.72 crores touched in the week ended March 31, 1967.

The expansion of credit too has not been of the order visualised even though it must be agreed that with lower prices for many commodities, the effectiveness of credit expansion was much more in the current season than in 1966-67. The oilseed prices declined precipitously while there was also a softening trend in raw cotton values. In the raw jute market, even after the reduction in export duties on gunnies, prices have been quoting only slightly above the support level. The sugar industry too did not need any large assistance as there were quick releases of stocks for free sale and the high prices realised in the open market improved considerably the ways and means position of many sugar units and no serious difficulty was experienced in making larger payments to the cane growers.

As a result of various factors and the disbursements effected by the central and state governments, borrowings of member banks from the RBI declined rather sharply during the fortnight ended April 2, 1968, to Rs 74.86 crores from Rs 128.15 crores. A similar trend was noticeable in the same period of 1967 when the drop in borrowings was equally pronounced, being Rs 53 crores. It is not clear whether the recent improvement in conditions in the money market is due mainly to the heavy payments made by the government departments and a continuous growth in deposits. But the fact cannot be denied that the banking system had even a problem of utilisation of resources at particular stages and it has not derived considerable benefit out of the cheaper discounting facilities provided by the central banking institution.

Under these circumstances, the question may well be asked whether a new strategy is required for stimulating economic activity and whether or not something more than cheaper money is needed for raising investment outlay in the public and private sectors. A difficult position may arise in the commodity markets when the rabi crops begin to be marketed in large volume in the next few weeks.

It has been persistently reported that there will be a problem of disposing of a record output of wheat in Punjab, Haryana and Himachal Pradesh and coarse cereals also will be available in large quantities in several parts of the country. The RBI will probably have to be busy providing the necessary credit to the Food Corporation of India (FCI) and the state governments for effecting large purchases of wheat. The banking system also may find it useful to utilise its resources for granting credit against foodgrains procured by the FCI and the state governments. It may even happen that a good part of the funds pumped into the rural areas may be reflected in faster additions to deposits or a larger demand for consumer goods. But it is difficult to say at this stage what will be the addition to the purchasing power of the rural population.

Even assuming that the increase in the output of foodgrains will be 20 million tonnes as compared to 1966-67, the increase in the value realised may not be more than Rs 700 to 800 crores if the whole output was absorbed. As it is likely that some stocks will be held by the cultivators, the net increase in purchasing power may not exceed Rs 600 crores. As regards cash crops, the yield of raw cotton will be higher by 700,000 bales, raw jute by 1.5 million bales and oilseeds by nearly three million tonnes. The realisations on sales of raw cotton may be satisfactory. But it is unlikely that any substantial benefit will be derived by the jute cultivator through a larger crop as prices have slumped badly following a record output in Pakistan and a sluggish demand for gunnies. In oilseeds too, with a drop in prices, the value of sales, even with an increase in output by over 40 per cent, may not be more than Rs 30 to 40 crores.

It will thus be reasonable to presume that the increase in the purchasing power of the agricultural income groups, as a result of a record output of food and cash crops, will be Rs 800 crores, allowing for an accumulation of stocks of about Rs 200 crores. It may also happen that the central government will have to build up large buffer stocks of wheat through internal procurement. It may at the same time be necessary to acquire large quantities of coarse cereals because of increased availability of wheat and rice. It will be interesting to find out in the next few months what had been the shift in consumption on account of a larger output of coarse cereals and rice and to what extent it became necessary for the RBI to provide refinance against procurement purchases.

There may thus be the interesting spectacle of a pronounced increase in bank deposits in the coming months, large-scale deficit financing for aiding procurement operations and a rather slow contraction in advances in the slack season. The prevalance of lower prices for agricultural commodities and large purchasing power at the disposal of the rural population may be reflected in a bigger demand for consumer goods and other items. It is, however, very doubtful whether a higher level of agricultural production will lead to the much desired revival in the production of durable and semi-durable goods and whether it will be necessary to devise measures for stimulating the capital market. The developments in the current slack season promise to be interesting in many respects and it may be possible to say after some time what were the new problems posed by the marketing of bumper crops and large-scale procurement. It can, however, be *confidently* stated that the central and state governments will be able to make a success of their borrowing programmes and raise much larger sums than now expected. The central government particularly will be able to push through its open market borrowing plan in two easy stages and secure at least a net amount of Rs 100 crores after repaying the maturing loans.

Towards Self-Sufficiency in Flat Steel

THE LAYING of the foundation of the first blast furnace of the fourth public sector steelworks at Bokaro by the Prime Minister, Mrs Indira Gandhi, on April 6, is perhaps a suitable occasion for reviewing the logic of this controversial project. As a sequel to the recession of the past two years and the postponement of the launching of the fourth Plan to April next, the demand for mild steel has gone down appreciably and ostensibly the need for expanding the mild steel manufacturing capacity is not as pressing as it was about three years ago. But the critics of Bokaro apparently tend to ignore an important fact about our steel industry. It is that, even though we are in a position not only to meet from indigenous sources nearly all the requirements of non-flat mild steel (with the exception of some finer sections the rolling of which is not economical because of restricted demand) but also to export sizable quantities, we nevertheless continue to be in substantial deficit in respect of flat products—sheet plates, etc. Notwithstanding the sharp decline in our requirements of flat steel last year, we had to spend nearly Rs 25 crores on importing this type of steel. If production is not expanded by 1970-71, the deficit, it is estimated, will grow to about 1.2 million tonnes. To bridge this gap we may have to incur an annual expenditure in foreign exchange to the tune of nearly Rs 100 crores.

There is no denying the fact that the production of flat steel could be raised at a much lower cost and more expeditiously by expanding some of the existing plants than by going in for the expensive Bokaro steelworks. Even during its first phase—the establishment of capacity to produce 1.3 million tonnes of finished steel (1.7 million tonnes of ingot steel) and 0.88 million tonnes of pig iron,—this project is expected to cost as much as Rs 670 crores (Rs 620 crores on the steelworks alone and Rs 50 crores for off-site facilities). When ultimately expanded to 5.5 million tonnes, it would have cost about Rs 1,100 crores. Compared with this, the addition of 0.7 million tonnes capacity at Rourkela and 1.8 million tonnes at Durgapur, essentially for the production of flat steel, would have cost only about Rs 500 crores. The expansion of the private sector plants—those of Indian Iron and Steel Company and the Tata Iron and Steel Company—similarly, would have entailed less outlay per tonne of steel than in the case of the Bokaro plant. But has the government erred in giving preference to the setting up of Bokaro steelworks over the expansion of Rourkela, Durgapur, IISCO and TISCO?

So far as the expansion of Rourkela or Durgapur is concerned, it has been held up for various reasons. In the case of the former, the main hindrance has been the finalisation of the project report on which depends the assistance to be made available by West Germany to finance the foreign exchange cost of the scheme. In the case of Durgapur, the main hurdle has been the stabilisation of production at the optimum level from even the existing capacity. The expansion of TISCO, it may be recalled, had not been envisaged even under the draft outline of the fourth Plan. The expansion of IISCO, similarly, the company had thought, could be only marginal—0.3 million tonnes—by 1970-71. As against these facts, assistance, both technical and financial, for Bokaro had been promised by the Soviet Union over a year ago. So the government really had no alternative to going ahead with Bokaro in preference to the expansions of the existing flat steel units.

Another consideration that ought to be given due weight and which apparently has been appreciated by the government in deciding in favour of the setting up of the Bokaro plant, is the long gestation period of the steel industry. This makes it incumbent on planners to plan for this industry not on a short-term basis but 10 to 15 years ahead. The addition of a new plant by 1970-71 should obviously stand us in good stead for meeting the demand for steel in the 1970's. By 1980-81 we may be requiring at least 20 million tonnes of steel. The expansion of the existing steelworks and Bokaro in the early years of 1970's and the establishment of steel manufacturing capacity at one or two other places should see us through up to 1980. With the establishment of the Bokaro plant, the country will incidentally become self-reliant not only in respect of mild steel of all categories but also in regard to the manufacture of machinery and equipment for steel making.

The addition of Bokaro, however, does not obviate the necessity of running efficiently, to the optimum level, all the existing steel plants. With the revival of the economy, the domestic demand for mild steel by 1971-72 may be of the order of 10 million tonnes ingots.

To produce this amount of steel, we require at least 11.5 million tonnes capacity. Presently the capacity is about nine million tonnes spread over the various plants as follows:

Producer	Capacity (Million tonnes)
TISCO	2.0
IISCO	1.0
Rourkela	1.8
Durgapur	1.6
Bhilai	2.5
Electric furnaces in private sector	0.1
	9.0

By 1971-72, Bhilai would have been expanded to 3.2 million tonnes. Capacity to the extent of 0.3 and 0.2 million tonnes might be added at IISCO and TISCO, respectively. The addition of Bokaro will raise the total capacity to about 11.9 million tonnes—only slightly in excess of the required capacity. This should not worry us as the excess production can well be exported. Iron and steel exports in 1967-68, estimated around Rs 50 crores, indeed, have registered an impressive advance from Rs 20 crores in 1966-67 and Rs 15.5 crores in 1965-66. The Hindustan Steel Ltd (HSL), which owns the existing three public sector steelworks at Bhilai, Rourkela and Durgapur, and which accounted for nearly 66 per cent of the iron and steel exports in 1967-68, has already won some prestige contracts for the supply in 1968-69 of Rourkela pipes to Australia and New Zealand. It hopes to bag a large order for rails from Iran. The Soviet Union has agreed in principle to consider an increase in our exports of finished steel to it to 0.5/1.0 million tonnes and of pig iron to 300,000/500,000 tonnes annually over the next four or five years.

Only time will show how far the recent reorganisation of the public sector steel set-up under which the HSL board is to be strengthened with the addition of three whole-time deputy chairmen and by bringing back into it the three plant managers (the reorganisation also envisages setting up of advisory boards) will improve the performance of the state steel plants. The reorganisation has been done by and large on the pattern of the nationalised sector of the British steel industry. But as conditions in our country are not strictly comparable to those obtaining in the United Kingdom—unlike the UK, here we have yet to train not only our workers but also the managerial personnel—the proposed reorganisation scheme suffers from several defects. The chances of friction arising between the central organisation and the plant level set-up, for instance, are great. The substantial strengthening of the central organisation may adversely affect the autonomy of the individual units. It may be possible to correct these difficulties as they raise their head. But what matters most is the men who man these plants. The real source of trouble in our public sector steel plants has been the poor leadership at all levels and inexperience of operators. All efforts ought to be directed towards remedying this situation. The proposed incentive scheme for the personnel of the steel plants irrespective of the position they hold and the solution of the vexed question of the recognition of labour unions on the lines contemplated by the Steel Minister, Dr M. Chenna Reddy, should incidentally go some way in reducing labour trouble.

The Professional Manager

MR P. L. Tandon, Chairman of Hindustan Lever Ltd, made out an excellent case for the professional manager when he recently delivered the ninth lecture in the Walchand Memorial Lectures Series, sponsored by the Maharashtra Chamber of Commerce. Even after the concept has come to be generally accepted, it is still being translated into practice at a very slow pace, said Mr Tandon. After listening to his address, no one could dispute his statement that "the process of professionalisation has begun and will go inexorably forward." Not only those who belong to Mr Tandon's profession but members of all professions, nay the public at large, have a stake in it, and so must ensure that it does go forward.

"What is the stake of the public?" it might be argued. The answer is the need for adequate growth. That doubtless prompts another question: Is the growth that we have had in our country since planning not adequate? Mr Tandon not only provided the pertinent answer to this poser but analysed why it has been so and, thereafter, also proceeded to pinpoint two aspects, "*not with the total conviction* that, by themselves, they will provide all the answers, *but with enough conviction* that they are needed as fundamental catalysts to growth", as he put it. These two aspects are professional management and national attitude to growth.

Starting with the axiomatic affirmation that growth needs three inputs—men, money, and materials—Mr Tandon examined each input with a view to assessing its respective contribution to the country's economic growth, and his obvious conclusion was that, while there has been some growth, it is not what it ought to have been, certainly not what was expected to achieve a level of growth necessary to reach the stage of self-sustained growth. In other words, what has been achieved may make an impressive infrastructure, but it is a dull growth rate; while it has laid the foundation, the cost has been higher than it need have been ("our industrial and social investment has been inefficiently high"); the same framework could have been built at a substantially lower cost. (Here, he instanced the input-output ratio in the three new public sector steel plants and pointed out that, as against at least 1:1, it was 2:1.) He was prepared to concede that this may have been the result of our inexperience, but he was not prepared to tolerate the lack of realism and humanity to recognise when we lacked the experience. "What pains me sometimes", he said, "is the brashness with which the inexperienced will say how they can do the job that is obviously beyond their capacity—and for no fault of theirs—when a little modesty would caution them against the costly mess that may be the end result." A first mistake perhaps is pardonable, but as he said, we have to be careful not to repeat it. "Being resource-scarce, we can ill-afford investments that do not produce results to the maximum."

There is a widely prevalent feeling that, now that we have had a good harvest and there is also hope that the next harvest too will be equally good, if not better, all will be well soon enough. Two good monsoons and all the improved agricultural applications will undoubtedly enhance production and also the purchasing power commensurately, but not all of it, as Mr Tandon warned, will be enough to give us the rate of growth we need—around 10 per cent—if we are to reach the per capita income of even Rs 1,000 by the end of this century, as against only Rs 313 in 1966-67 at constant prices (1960-61). So it is that we have to look deeper not merely at the quantum but also at the quality of our effort. Only if we ensure the latter can we make sure that both the existing and the new investment produces better results than we have had so far. It is Mr Tandon's conviction that qualitative improvement can only come via professional management and a change in our national attitude to growth. He described these as "fundamental catalysts to growth." They are indeed so. For, where there was good management of resources, the results have been good and where management was poor, the results have been unsatisfactory, and this is so whether on the micro level of a firm or the macro level of an economy.

After tracing the different stages of management, the chairman of Hindustan Lever proceeded to define professional management as it is understood today. First, to belong to this category, management men must be trained by education and experience to perform certain functions better than their fellow men; secondly, they must be such as to be able to further the body of knowledge through research; and, thirdly, they must be capable of developing their own norms and code of conduct and not wait to have these imposed upon them by legislation.

It is the thesis of Mr Tandon that, by and large, business in our country is not a profession, though, in the last 30 years, there has been a great advance in the acceptance of professional management. While management at the level of operation has been professionalised, he said, control has not. Even today, according to him, very few businesses are run at the top by purely professional boards.

What Mr Tandon said about our national attitudes is perhaps the most striking part of his brief and business-like lecture. His statement that our attitude often contradicts growth and his elaboration of it bears reproduction. Here is what he said:

"The first simple fact is that growth can only come out of a surplus, which is the same thing as profit, whether made by the individual, the private sector or the public sector; yet profit to us is usually a dirty word. We are exhorted that our motive should be service and not profit. But if there is no profit and no surplus, we will be eating up all we produce and there will be nothing left to plough back for growth. Whom then will we have served?

"Second, the higher the profits, the more the surplus, the more the reinvestment, and the more the growth. An organisation that follows this pattern will grow in size: but size is considered undesirable. An organisation that has grown large through honest effort is dubbed a giant, a monopoly, and anything but praise is showered upon it; what is worse, we may even take steps to make sure that it grows no further. And yet by all world standards our "giants" are pygmies.

"Third, growth and size mean success; and success to us is suspect. A high rate of return on resources employed is not only taxed selectively and penally, but regarded with suspicion and misgiving, rather than with the frank admiration it deserves. Success is often considered to be synonymous with exploitation, even where it is the result of honest effort and an able use of resources."

Mr Tandon was on unassailable ground, therefore, when he urged that we need to re-examine our attitudes. Wrong attitudes and a high rate of growth, as he pointed out, are incompatibles. In this contradiction, indeed, lies the reason why we have not grown commensurately with our resources, efforts and ability.

One other idea of Mr Tandon, namely, that "if we are to import the latest in technology, we must match it with the latest in management practices to get the results that those techniques are expected to produce", is also unexceptionable. However, a great snag that seems to be growing in our country is the unthinking opposition to the use of the latest appliances which go hand in hand with the latest in technology, and to get over this opposition, we believe, will be the greatest challenge that confronts the professional manager of today and tomorrow.

Role of Administrative Capabilities in Planning

S. C. SETH

THE DRAFT outline of the fourth five-year Plan laid emphasis on the following three aspects of administration:

1. **The need for strengthening the planning process and planning machinery.**

Here the planners desired that the centre and the states should prepare their annual plans in administratively spelt out programmes. They also desired that the planning apparatus and the personnel which prepared plans should be qualitatively strengthened.

Nobody can dispute the necessity of the aforesaid requirements. Nevertheless, planners here are simply voicing the absence of the technical elements which are obviously missing in the existing arrangements for formulating plan schemes and targets. In purely administrative terms, therefore, what the planners desire is not only a detailed scrutiny of the schemes of the plan in terms of costing and the availability of finances but also in terms of the availability of inputs of men and material. This certainly demands the need for introducing greater modernisation in our existing techniques of planning; but in what way this can be achieved, the planners have again failed to point out. Such an approach reduces good objectives into colourless good intentions.

2. **The development of a Managerial Pattern and Managerial Leadership through imaginative training programme.**

The second main demand of the planners is that we should intensify the process of managerial development. It is clear that the thinking of the planners here is somewhat limited. Managers cannot be developed overnight, simply by in-service training programmes. It is well-known that the managers develop best in those organizations which are already well managed by recognized standards of good management.

Total Overhaul

Secondly, if we wish to develop a new managerial process it will have to be done as a part of total overhaul of the existing philosophy and practices of personnel administration in India. Perhaps, this aspect of the problem the planners have left to the Administrative Reforms Commission to decide.

Finally, in this connection, it would be worthwhile to strengthen the idea of establishing greater government contacts with the universities and commercial houses—an idea that the planners have rather feebly touched. We cannot ignore the fact that, the development of managerial skills is not merely a single track process, to be achieved only by in-service training. We may, perhaps, have to look for the managerial skills in our candidates at the selection stage also.

There is no denying the fact that many a valuable lesson for developing a management oriented set-up can best be sought in the experience of the industrial realm of the developed societies. After all, the development of the managerial skills is needed in the policy making agencies of the secretariat as well as the commercial undertakings of the government. Hereafter, the Indian administration as a whole will have to immerse itself in an environment in which managers with the necessary leadership qualities can develop. The experience of the industrialised countries has shown that among other things the development of managerial skills is part of a formal personnel programme in which a continuous emphasis is laid on:

(i) organisational analysis and planning;

(ii) preparation of a manpower audit showing present incumbents and possible replacement in each managerial position;

(iii) appraisal of management performance;

(iv) special training to guide the development of individual managers; and

(v) coaching managers through a manager-trainee programme.

Does such a central personnel agency exist in our administration today which can make available a steady crop of managers? Perhaps, not. Consequently, there is need for the creation of such an agency; and it alone could give a lead in the establishment of a strong base to develop the required management and administrative leadership.

Development of Managerial Skill

It may also be added here that the development of managerial skills is to a very large extent dependent on the organisational pattern and the administrative system in which the personnel, who are expected to acquire the managerial abilities, work. No constructive change can come if the method of organisation continues to be tradition-oriented and personnel who are required to handle new responsibilities, fail to shake off their out-moded administrative behaviour.

3. **The need for strengthening the information technology.**

Here again, the planners have simply pointed out the familiar fact that there is great need for administrative evaluation of the progress in planning, but they have not said that evaluation happens to be a very specialised task. The traditional methods of belated commentaries in the form of annual reports, do not help us in obtaining useful lessons and guidelines for future action purporting to speedy and timely realisation of targets. It would have been worthwhile if the planners could have spelled out in greater details the various institutional devices, which could help in building up an accurate administrative communication system.

In our administrative apparatus there is an immediate need of introducing a strong feedback system by which accurate information and data regarding the progress made in the field of planning continues to come back to the planners, so that they may be able to put forward improved criticism and devise greater adjustments and be able to take more rational decisions. In the present set-up this is one of our weakest elements. In fact, the way the evaluation reports and progress data are prepared today, does not assist in slicing off useful information which may make some sense for the managers. Clearly, the planners should try and give greater attention to this point than they have done so far.

We may point out a few more administrative areas to which the planners may devote their attention, while finalising the fourth five-year Plan. They are.

1. **Need for fiscal planning:**

There is considerable need for concrete budget formulation as it pertains to the field of planning and plan schemes. No intelligent student of our administration and planning process can miss the point that there is always a gap between our plan targets and financial allocations. Perhaps in this respect the element of co-ordination between the Planning Commission, the Ministry of Finance, the administrative ministries and the state governments needs to be strengthened. At the stage of budget formulation, we have to have a system whereby, as the planners have also pointed out rather cursorily, the span of time involved in the completion of a particular project and important matters such as "who will give what?", "in what stipulated period?" and "what will be the cost involved?" will come up. All these points plus the need to have some machinery which can make cost-benefit analysis are important administrative areas which deserve much more attention than has been given to it so far.

2 **Annual adjustment of plans.**

The second important point lies in the creation of that administrative machinery which can help in making a periodical assessment not merely for the purpose of recording, but to help in applying the necessary correctives so that we may readjust our plan objectives. Perhaps, we may abandon some projects or we may step up our inputs in other projects. At present, it can be said that the planners have emphasised the development of the system of annual planning but it is doubtful if the implementation of the schemes has the necessary flexibility to achieve the near-maximum results.

3. **Assessment of administrative capabilities:**

One of the major weaknesses in our system of planning lies in that when we fix plan targets, we do not at the same time also make an equally broad and penetrating assessment of the administrative capabilities in terms of men and material that would be required in achieving those targets. We may have a plan for improving an irrigation system but we are content with declaring the broad objectives and with allocation of funds. We do not assess if we have the necessary administrative capabilities available to fulfil our plan objectives. Perhaps, it is this area which ought to be looked into in greater details and, some institutional device be introduced which can help us in providing the necessary information needed in this respect. Once, we are in full possession of the facts of our administrative capabilities or incapabilities at the stage of planning, then, it would make the achievement of plan targets quicker and accurate and would give greater realism to our plans.

Productivity and Incentives

M. R. MEHER

THE REPORT of the study group on productivity and incentives formed by the National Labour Commission deals in detail with the ways and means of increasing productivity which, particularly in the present state of our economy, is a matter acknowledged as needing urgent and utmost attention. The group has classified the factors affecting productivity in an industrial unit under two broad heads—internal and external. Higher productivity can be obtained by the internal factors which are—better organisation and more effective use of labour, materials and capital equipment in the individual workplaces. The external factors are more complex, and may be local, national or international. The fiscal and economic policy of the government can have serious impact on the normal functioning of an enterprise. Political, ethical and social considerations and traditions of social discipline, custom and religion also come into the picture. Higher productivity itself is, in the ultimate analysis, the only guarantee of increase in the standards of living.

Management's Responsibilities

The study group says that the development of technological base requires use of known machines and scientific research to develop better methods of production. The most dramatic increases in productivity have in fact always been achieved through development and use of new methods and processes. Improvements in the organisation of work call for changes in the general organisation of companies, better utilisation of machines, materials, men and space, simplification, standardisation and specialisation, control of quality, better maintenance of machines and buildings, improved communications and improved industrial relations. The primary responsibility to raise productivity rests with the management. In a country where there is much unemployment and under-employment, the easy availability of labour inhibits efforts towards more effective planning and organisation of work with due regard to man-machine relationship, the workplace, the environment and personal factors involved. Most things are taken for granted. In view of the poor nutritional standards of the workers, it is very necessary that proper attention be given to fit the job to the man and the man to the job. That poor physique and low calorie intake can result in low efficiency is illustrated by many examples. In a well-known rubber company it was stated that the efficiency of operators on light jobs such as manufacture of cycle tyres and tubes was as high as in the best associates of the company elsewhere in the world. Only in cases where heavy expenditure of energy was required the efficiency was very low. In the case of motor-car and truck tyres the corresponding efficiency was as low as 45 per cent. This points to the need for proper organisation of work so that the jobs requiring heavy expenditure of work are kept to the minimum or suitable mechanical handling equipment made available.

The group refers to the use of work study techniques, which could serve as a basis for control of labour cost and, in appropriate conditions, *for systems of payment by results.* Production methods and technology that have proved successful in one situation or country will not necessarily prove so in another where the availability of raw materials and other resources, climatic conditions, scale of operations and such other factors are quite different. Work study which is generally meant to include method study and work measurement can, if not properly applied, create strained relations between management and labour. Fear of redundancy among workers should be overcome before commencing the studies and this is easily achieved by management giving an assurance that no worker will lose his employment as a direct consequence of the application of work study. Workers and their representatives should be fully informed before such studies are conducted. The report then goes on to deal with inventory control, stores keeping methods and practices, the critical path method and programme evaluation and review technique, standardisation, simplification and variety control, value engineering, materials handling, waste reduction, marketing techniques, etc. On personnel administration the group recommends that management should strive to give (1) good working conditions, (2) well-trained supervisors, (3) good counselling facilities, (4) fairness in all dealings, (5) fullest possible information, (6) good training facilities, (7) joint consultation, (8) systematic merit rating, (9) good selection programme for promotion as well as new entrants, and (10) good grievance procedure.

The group says that the principle of sharing the gains of productivity has been accepted by all agents in the productive process. Sharing will have to be done on specific increases in productivity on department or unit to unit basis and not for the industry or economy as a whole. The sharing should have no bearing on the existing level of wages or general increases in them, ad hoc or systematic, through the process of collective bargaining or otherwise. Sharing should not result in serious dissatisfaction among non-benefiting workers inside as well as outside the unit. It should not upset or crumble the wage structure. Sharing should not be an excuse for retrenchment, loss of earnings or undermining the growth of trade unionism. The need to enable wages and living standards of workers to rise continuously with rising productivity must also be kept in mind. This requires that labour should not be denied the benefit of higher productivity arising due to other factors also. Sharing the gains by the community would be in the form of price reduction of goods and services, increased taxes, duties etc., paid to the government and local authorities, increased donations to social welfare services and organisations, improved quality and utility of goods and services, reduced burden on special services, and in respect of training, research and nation building activities.

The study group goes on to say that while wages should increase from time to time as the general level of productivity and total industrial output increase, it cannot be a general basis for sharing the gains of specific increase in productivity. Though in the present systems increases in wages do not have any relationship with productivity, there is technical feasibility of linking this system with productivity. For example, if it is established that in an organisation the annual increase in overall productivity has been, say, 4 per cent, then such a trend could be presumed for future years and a system of 4 per cent annual increase in wages could be built into the time-scale grades. This could continue till the wage structure is reviewed and re-negotiated at the expiry of the current agreement. A comprehensive system of sharing the gains of specific increases in productivity will be somewhat as follows:

Type of gains	Type of plan
1. Gains due to additional efforts of workers' working within the given technical conditions.	Wage incentive schemes.
2. Gains due to technological changes.	a) Suggestion schemes*. b) Promotion to higher grade through re-evaluation of the job, taking due note of the increased satisfaction and higher productivity of the machine and equipment. c) Lump sum awards, ad hoc or pre-determined.
3. Gains due to increase in productivity on other accounts as also due to overall effects of 1 & 2.	Production-sharing or cost-saving plans like the Scanlon plan, the Nunn-Bush plan and the Rocker share of production plan, all of which reward the employees for increasing productivity, expressed as the proportion of output to labour employed.

The study group observes that under the normal time rated payment system what is ensured is attendance and neither application to job nor results. It should, however, be conceded that the performance system of wage payment is more complex and cumbersome than the system based entirely on attendance. Standards should be set through systematic work measurement. There should be equitable adjustment for failure to meet the task where the causes of failures are beyond the employees' control. There should be sufficient scope for increasing performance. Incentive is most effective when an individual is rewarded on his own performance. The group system is applied best in circumstances such as when there is community of interest between the members of the group, or when it is impossible to measure the contribution of individual members accurately and economically, or when the measured contribution is a result of the efforts of all members of the group. On the quantum of incentive the study group says that the fairest quantum is one which, beyond the standard performance, passes the entire savings in direct labour cost to the workers as incentive after providing for the cost of installing, operating and maintaining the scheme. The organisation will gain on the savings in overhead expenditure and increased volume of production and sale. For performance between the base and the standard, the quantum of incentive should be on a reduced scale (i.e., the savings in direct cost should be shared between the workers and the organisation) to provide for additional cost due to incentive being paid to certain individuals or groups at current levels of performance and to maintain inter-plant, and inter-company parity.

The consent of the representative of the workers concerned should be secured before the incentive scheme is introduced. The scheme should cover a large proportion of workers in the establishment to avoid dissatisfaction due to disparities in earnings. The representatives of workers should participate in the timing of jobs, rate setting, fixing of standards, selection of workers for time study, establishing proper working conditions, rest allowance, unavoidable delays and other elements and procedures of work measurement. Standards and rates should be guaranteed and should not be changed or cut except where there is a significant change in the work content of the job due to changes in the product, materials, process, equipment or methods. No such changes should be made without proper consultation with the workers' representatives. The scheme should reward workers on factors within their control and not penalise them for poor performance due to reasons beyond their control. The scheme should be simple enough for employees to understand and appear fair in both design and operation. Incentive should be over and above the basic wage and should not affect the quantum of basic wage which should be governed by the characteristics of the job such as those considered in job evaluation. Non-financial incentives such as good relations, recognition, status, job satisfaction, improved working conditions etc., should also be considered. It is further emphasised that where industrial relations are unsatisfactory, it would be extremely difficult to introduce any of the usual productivity techniques smoothly and secure the co-operation of workers in operating such techniques.

Government's Role

Finally the group has important recommendations to make on the role of government. It says that the economic and industrial climate in the country for some time past has not been very helpful to increasing productivity. Due to scarcity of foreign exchange, shortage of many industrial raw materials and the generally slow pace of economic growth, many industries have been operating far below their capacities. Employment in many industries has stagnated or even contracted as a result of this. In such a situation the employers as well as workers are likely to view as somewhat unrealistic the talk about increasing productivity. In such a situation the higest priority must be given to productivity to enable industries to operate near full capacity and provide increasing employment.

The importance of creating a climate in which workers will perceive their own stake in raising productivity is emphasised. The study group says that mere prevention of industrial conflict through conciliation and adjudication is not a sufficient positive contribution by the government to industrial relations. The government should purposefully follow industrial relations policies calculated to throw greater responsibility on the employers and trade unions themselves in the matter of resolving their disputes. The nature of problems that arise in the field of productivity techniques and incentive scheme is such that they can best be comprehended and tackled by those who are directly concerned with the problems. Hence the conciliation and adjudication methods commonly used in our country for deciding industrial disputes are not very helpful to the parties in tackling productivity problems. Moreover the technical nature of such problems makes it difficult for conciliation officers and adjudicators to understand them properly.

* Under these schemes suggestions from individual workers are invited and acceptable ones rewarded.

FROM THE CAPITAL'S CUPBOARD

Controversy Over Fourth Plan Export Targets

THE LATEST estimates indicate that exports during 1967-68 may touch Rs 1,200 crores. During the 11 months to February last, exports amounted to Rs 1099.85 crores—nearly six per cent higher than the exports during the corresponding period of the previous year (Rs 1041.86 crores.) They were, however, substantially trailing behind the exports during this period in 1965-66 (Rs 1,146.3 crores approximately in terms of the post-devaluation par value of the rupee.) This suggests that although the last year's performance on the export front has been quite encouraging as compared with the performance in 1966-67, we have yet to go some way even to reach the level of exports in 1965-66, the year immediately preceding devaluation.

Although the last year's recovery in exports has heartened the union Ministry of Commerce, there have cropped up serious differences between it and the Planning Commission on the target for the annual increase in exports under the fourth Plan which is to be launched on April 1 next year. The Planning Commission has estimated that the annual increase in exports in the fourth Plan can be of the order of seven per cent. The Commerce Ministry, however, feels this projection to be on the high side. It has expressed the view that the increase cannot be more than five per cent.

What actually prompted the Planning Commission to suggest a target of seven per cent annual growth in exports during the fourth Plan still remains shrouded in mytery. Probably, the 1967-68 performance has been one of the factors evoking the Planning Commission's optimism. The experience of the seven years immediately preceding devaluation could be another factor influencing the proposal of the Planning Commission; during these years the annual growth in exports had been between five and six per cent. Starting from this base, further expansion in the production facilities during the last 10 years and the growing consciousness to step up exports (which has prompted several studies in export strategy in the recent past) could encourage one to think in terms of a somewhat higher rate of growth in exports than has been the case hitherto. But the Commerce Ministry's contention cannot be so lightly dismissed.

The Commerce Ministry feels that in assessing the last year's performance, the fact that 1966-67 was a particularly bad year for exports needs to be appreciated. The outcome of the deliberation of the second United Nations Conference on Trade and Development, it is further suggested, do not hold promise for an increase in our exports to the extent of seven per cent per annum. The Commerce Ministry further seems to be of the view that the Planning Commission has not fully appreciated the possible increase in internal consumption during the fourth Plan.

The view of the Commerce Ministry, it is understood, is substantially shared by several other economic ministries, including the ministries of Finance and Steel. The Finance Ministry, it is learnt, has even questioned some of the assumptions on the basis of which the fourth Plan projections have been made by the Planning Commission. For instance, it does not subscribe to the optimism of the Planning Commission in regard to external assistance. A small committee of officials from the economic ministries has been set up to examine this problem.

THE EXPORT STRATEGY

In its final draft report on the "export strategy", the study group of the National Council of Applied Economic Research, it is learnt, has made a number of suggestions for increasing exports. As the study group is headed by the former Minister for Commerce, Mr Manubhai Shah, and it includes as its members some of the top economists of the country, its forthcoming report will be eagerly awaited. Regretting that no vigorous attention has been paid to the problem of exports so far or that of export planning, the group opines that if a breakthrough in the country's export performance is desired, it is imperative that planning for exports should be taken up seriously. Some of the more important suggestions made by the group are:

(i) To place exports on a stable footing and to get the advantage of value added, exports of raw agricultural products and plantation crops should be reduced gradually and exports of processed agricultural commodities, consumer goods, engineering and chemical products, etc., should be expanded. Exports of such agricultural products as superior rice, pulses, and fruits, where the competition from other countries is not so keen, should be specifically encouraged. In regard to industrial products, greater emphasis should be placed on exporting the products of labour-intensive industries.

(ii) There should be built a cushion in the capacity of export industries so that supplies can be made elastic to meet the changes in world requirements. Those units which are exporting 20 to 25 per cent or more of their annual production or are capable of doing so, should be accorded a special treatment in the matter of industrial licensing, allocation of foreign exchange, supply of inputs and modernisation and expansion.

(iii) Concerted efforts have to be made to make our export goods competitive in world markets. But since exports cannot wait for cost reduction, till then they should be made profitable by export assistance measures. A number of measures have been suggested in this regard. They include supply of raw materials to export industries at international prices; grant of concessions in railway freight for the units disadvantageously located; fiscal and monetary incentives; refund of duties, taxes, cesses and levies; and linking of imports with exports. An important suggestion made is that a cost reduction commission should be set up for the entire export sector. Alternatively, a cost reduction machinery should be established industry-wise for the major export industries to suggest ways of reducing costs.

(iv) In the interest of quality control, the number of test houses should be increased. Some test houses may even be established in collaboration with foreigners.

(v) In order to develop the packaging industry, it is necessary that some latitude should be given to exporters for importing packaging machinery for research and development. An organisation on the lines of the International Cargo Handling Co-ordination Association in the United States, should be established to make exporters conscious of the role of packaging in exports.

(vi) For providing adequate credit facilities to exporters, the Export Credit and Guarantee Corporation (ECGC) should have a sizable "guarantee fund" backed by the Reserve Bank of India and the central government. Such a guarantee fund should be immediately created under the ECGC on the lines analogous to those of the Small-scale Industries Loan Guarantee Scheme. The coverage of the guarantee should be increased up to 100 per cent in selected export loans, of course, with proper safeguards

(vii) The export houses should be developed in a big way. So far, their scope, the group feels, has been limited.

The study group's report is expected to highlight the importance of market research, export publicity and establishment of export marketing groups by firms producing non-competitive but complementary products. The growing rupee trade with east European countries has been welcomed by the study group. The need for advance planning of exports to these countries has been stressed.

FROM THE PRESS GALLERY

Food Zones to Stay

Our Parliamentary Correspondent

NEW DELHI: Thursday.

THE DEMANDS for grants of four more ministries—the ministries of Food and Agriculture; Steel, Mines and Metals; Transport; and Information and Broadcasting—were passed by the Lok Sabha this week. The bill on the institution of a public provident fund was introduced in the House. Among the important documents placed on the table of the House was the report of the Estimates Committee dealing with the petroleum industry.

With the substantial easing of the food situation following a good crop this year, the sting was apparently lacking in the debate on the demands for grants of the Ministry of Food and Agriculture. Nevertheless, the sugar and agricultural policies of the government came in for a good deal of criticism. Several members demanded that food zones should be scrapped. The need for further accelerating agricultural development was stressed by almost all the participants in the debate. The familiar pleas for large application of fertilizers, emphasis on quick-yielding minor irrigation projects, making available of improved seeds and other farm inputs as well as credit for farm operations were frequently heard. Several members spoke of the failures in implementing the land reform measures. Many stressed the imperativeness of ensuring remunerative prices to farmers for their products and of striking a balance between these prices and the prices of the goods purchased by farmers.

Crop Insurance

Intervening in the debate, the Minister of State for Food, Mr A. P. Shinde, announced that the government was likely to bring legislation soon on crop insurance. Most of the states had already sent their reactions to the proposal; while some had "disagreed, none has opposed it," he told the House. Mr Shinde also revealed that there were early prospects of applying atomic energy to agriculture. He announced that the centre would be willing to finance any new agricultural university that might be opened in any state. This, he said, was for fulfilling the centre's objective that each state must have at least one agricultural university. Talking about the growing need for small tractors, Mr Shinde referred to the government's decision to delicense the manufacture of tractors. The establishment of a public sector factory for small tractors, he assured the House, was under consideration; the offers from the private sector would also be considered. Mr Shinde ridiculed those who in their zeal to run down the government were minimising the revolution that was taking place in our agrarian economy. It was not just one good weather, he said, that accounted for this year's expected agricultural production of 95 million tonnes of foodgrains. In cotton output also an increase of 20 per cent was expected this year. The achievement, he stressed, represented the success of the measures taken so far. The other points made by Mr Shinde included: (i) the centre would encourage each state to have at least one seed farm and a seed corporation to supervise the quality and distribution of seeds; (ii) minor irrigation projects would be taken up on a priority basis, this year's allocation being as large as Rs 220 crores; and (iii) the government has decided to introduce a new all-India agriculture service.

In a hard-hitting reply the Minister for Food and Agriculture, Mr Jagjivan Ram, ruled out, for the present at least, complete abolition of food zones. A further review of the policy in regard to food zones, he indicated, could be made only when the prospects of the next kharif crop were clear. Defending imports under the PL 480 arrangement, Mr Jagjivan Ram took the critics to task by observing that it had become fashionable to theoritically condemn these imports. As Food Minister, he said, he had to see to the country's needs. These imports, he pointed out, could go some way in building up the much-needed buffer stock. He revealed that although the procurement target of the last kharif foodgrains could not be reached, two million tonnes of foodgrains were already in stock with the central and state governments. Half of this might be transferred to the proposed three million tonnes buffer stock. Part of the procurement out of the next kharif crop would also be earmarked for the buffer stock. The balance would be made up with imports.

Procurement Prices

Explaining the rationale behind the fixation of procurement prices of wheat at Rs 76 a quintal for the common and Mexican varieties and Rs 81 for the superior variety, Mr Jagjivan Ram admitted that he had ignored the advice of the Agricultural Prices Commission and of several others, including economists, who had advocated a lowering of agricultural prices in the interest of giving the economy a healthy boost. This, he observed, had been done as a measure of encouragement to farmers. Mr Jagjivan Ram assured the House that any wheat offered by farmers to the Food Corporation of India or other similar agencies would be lifted at the procurement prices. Steps, he disclosed, were being taken to augment the storage facilities. It was proposed to put up several silos in the countryside itself.

Mr Jagjivan Ram was quite harsh on those who had accused the Congress of having gone back on land reforms. Any government anywhere in the world, he said, would be proud of what had been achieved in India in this regard during the last 20 years. Land reforms had come to most countries only after revolutions, but in India's case, he pointed out, they had been achieved in a legal and democratic manner. He admitted that there were some incongruities which had to be rectified, but this, he opined, could not be achieved without the active co-operation of the states. The minister announced that he would soon call a meeting of the chief ministers and the ministers of community development and co-operation of states to discuss ways and means of toning up the co-operative and community development movements. He made his disappointment over the functioning of the co-operatives more than clear, stating that they had failed to help the small farmers. He was, however, happy to note that educated young men were increasingly taking to farming on scientific lines. Regretting his inability to provide sufficient funds from the state sector for minor irrigation and tubewells, he observed that the gap would be made up by drawing on the resources of such agencies as the Land Development Bank and commercial banks.

The attitude of two states—Kerala and Madhya Pradesh—in regard to the agricultural policy of the centre came in for sharp criticism from Mr Jagjivan Ram. He made it clear that it would not be possible for the centre to supply to Kerala 75,000 tonnes of rice monthly as demanded by the latter. The shortfall in rice had to be made up with wheat. Of the total rice supplied by the centre to the rice-eating states, Mr Jagjivan Ram revealed, Kerala accounted for more than 45 per cent and on occasions for even more than 50 per cent. Criticising the restrictions imposed by the Madhya Pradesh government on the movement of gram, the minister observed that this step of the state government was "unauthorised, beyond its competence and illegal". The other points made by Mr Jagjivan Ram included: (i) the Planning Commission had been asked to examine the ways of proper utilisation of manures, bonemeals, etc.; (2) the bullock power would continue to be a major factor in agricultural development for long and to ensure its quality, it was proposed to open a number of insemination and breeding centres where emphasis would be put on cross-breeding.

As could be expected, the huge losses incurred by Hindustan Steel Ltd (HSL), figured prominently in the debate on the demands for grants of the Ministry of Steel, Mines and Metals. The Swatantra spokesman, Mr D. N. Patodia, observed that the image of the public sector had faded largely because of the failures of HSL. The Swatantra member also criticised the setting up of the Bokaro project. When there was enough scope for expanding the existing steelworks, he asked, why should we go in for new "white elephants"? The members from Madras, Andhra Pradesh and Mysore criticised the Bokaro project on a different ground. Their argument was that instead of investing nearly Rs 1,000 crores in this project, preference ought to have been given, in the interest of balanced regional development to the setting up of steel plants in the Salem, Hospet and Visakhapatnam areas. Mr P. D. Himmatsingka (Cong.) wanted complete streamlining of the administration and diversification of production of steel plants so that many varieties of steel which were currently imported could be produced within the country. The working of the National Coal Development Corporation and the National Minerals Development Corporation came in for vehement criticism, mainly on the failures of the two corporations indicated in the reports of the Public Undertakings Committee. (For these reports, please see last week's issue). The long delay in the completion of the Khetri copper project was also sharply criticised.

Steel Exports

The working of the Ministry was stoutly defended by both the Minister for Steel, Mines and Metals, Dr M. Chenna Reddy, and his junior, Mr P. C. Sethi. It was a prospective picture of booming exports of steel that was drawn up by Dr Reddy. Dr Reddy also promised that from next year, there would be enough steel for every one; for the farmer, for instance, 150,000 tonnes of galvanised sheets would be made available annually. Highlighting the export performance of the steel industry in general and of the HSL in particular, Dr Reddy gave details of the export prospects and particularly mentioned the willingness of the Soviet Union to examine the possibilities of lifting increasing quantities of steel from here.

Dealing with the general criticism about the heavy losses suffered by the HSL, the Minister referred to the heavy cancellation of orders by the railways and the general recessionary tendencies in the economy. He, however, confessed that the government had not been able to evolve an efficient management cadre. He further admitted that the labour-management relations in the HSL plants left much to be desired. Dr Reddy, of course, assured the House that steps were being taken to stabilise the position both in regard to management and labour. He expressed the view that there was nothing wrong in having bureaucrats at the top of the public sector undertakings; the only trouble, he felt, was that they were switched far too often. Defending the government's decision to go ahead with Bokaro, he referred to the shortage of flat steel and the heavy expenditure incurred in foreign exchange to meet the requirements; Bokaro was an absolute necessity, he thought. About controls on steel, Dr Reddy observed that he might consider total decontrol provided the Finance Ministry agreed to the import of scarce categories involving an expenditure of about Rs 40 crores in foreign exchange. He was in touch with the Finance Ministry in this regard, he added.

The main highlight of the debate on the demands for grants of the Ministry of Transport obviously was the sharp criticism by several members of the stinted development of roads, especially during the last three years. Mr M. R. Masani (Swat.) felt that the government had virtually given the railways monopoly of haulage and this was not in the best interests of the economy. He deplored that not even a fraction of the revenue earned from road transport was being ploughed back into development of roads. Mr Masani wanted the tax on road transport to be reduced as it was acting as a disincentive for the operators. Mr Nardeo Sanatak (Cong.) felt that strategic roads in the Himalayas should receive greater attention. The need to augment the shipping fleet and improving the port facilities in line with the current trends in the maritime world was stressed by some members. Mr N. S. Mahida (Cong.), who is the chairman of the National Shipping Board, suggested that the offer of a Japanese firm for the supply of ships on a deferred payment basis over a period of eight to 10 years should be closely studied. He also informed the House that a German firm had offered to manufacture marine engines in India. The DMK spokesmen, Mr M. Kamalanathan, pleaded for the inclusion of the Sethusamudram project in the fourth Plan and expeditious development of the Tuticorin port scheme. He also urged that an all-weather coastal road should be built linking Madras, Nagapatnam and Tuticorin.

Slow Progress

In his reply to the debate, the Minister for Transport, Dr V. K. R. V. Rao, shared the concern of members over the slow progress in road-building in the recent past. He attributed it to the sharp fall in the allocations for road development programmes—from Rs 67 crores in 1961-62 to Rs 47 crores in 1967-68. Dr Rao pleaded for stepping up the outlay on development of roads so that apart from completing the missing links in the national highways and building up of new and strengthening of several existing bridges, some new roads also could be built in the interest of stimulating the growth of the economy. The rural road development programme, he felt, needed to be pursued with much more vigour than had been the case hitherto. Dr Rao announced the centre's decision to give Bihar and Uttar Pradesh Rs 4.5 crores each to build bridges in their respective states.

In regard to shipping, Dr Rao hoped that we would be in a position in about five years to carry at least 30 per cent of our overseas trade in our own vessels. The progress even otherwise, he said, was not as tardy as alleged by some members; today our share in world shipping was 13.6 per cent as against 6.5 per cent five or six years ago. The total tonnage in Indian hands, which at present was about two million tonnes, Dr Rao indicated, was expected to be increased in the near future by six million tonnes. Orders for this additional tonnage, he said, had already been placed. The training ship Dufferin, he added, would be replaced in the near future by a floating ship. Dr Rao stressed the importance of developing inland waterways. The government, he added, had decided to form a high-powered committee to go into the question of developing an effective network of waterways. In regard to development of ports, he cautioned that failure to modernise them would render our ports unserviceable, particularly when shipping everywhere was developing at a tremendous rate and bigger and bigger ships appeared to be the order of the day. He announced that dredging of the Madras harbour had begun. It was proposed to construct an outer harbour at Visakhapatnam. Assistance from the World Bank had been sought for the development of the Mormugao port. The implementation of the Haldia project was progressing according to schedule; a coal loading plant and ore-loading facilities had already been established. The Tuticorin project, Dr Rao observed, was considered by the government a prestige scheme which would be completed expeditiously. The implementation of the Sethusmudram project, however, bristled with certain difficulties, which, of course, were being ironed out. Dr Rao further stated that a revised outlay scheme had been received from Japan for the Cochin shipyard. A team of officals would soon go to Tokyo to discuss the details with the Japanese collaborators.

During the debate on the demands for grants of the Ministry of Information and Broadcasting, several members urged the need for streamlining the working of All India Radio (AIR) by making it a statutory corporation. The chairman of the Estimates Committee, Mr P. Venkatasubbiah, pleaded for the appointment of a committee to go into AIR's working. He, however, did not approve of the idea of making AIR a corporation. This, he felt, would lead to greater emphasis being put on profit rather than dissemination of education and culture. The AIR staff artistes found several members championing their cause. Mr George Fernandes (SSP) pleaded that the contract system for the staff artistes should go. Mr K. Jaggiah (Cong.) suggested the merger of the Central Information Service and the External Publicity Division. Mr S. Kandappan (DMK) criticised the Ministry for the tragic state of affairs in the film industry. Mr Amrit Nahata (Cong.) urged the government to build cinemas and theatres and cut entertainment tax to enable the masses to have recreation at low cost. Mr Prakash Vir Shastri (Ind.) felt that AIR was dominated by "communists and communalists". He did not understand why so much prominence had been given by AIR to Sheikh Abdullah for a few days after his release. The Hindi news agencies, he opined, should be given assistance whenever they needed it. Mrs Jayaben Shah (Cong.) expressed the view that commercial broadcasting should be limited.

Corporation Disfavoured

Replying to the debate, the Minister for Information and Broadcasting, Mr K. K. Shah, ruled out the conversion of AIR into an autonomous corporation. The Chanda Committee's report on which this demand was based, he felt, had many inherent contradictions. At present, a corporation for AIR, Mr Shah pointed out, was not economically viable. Referring to the troubles in the film industry, Mr Shah implored the members that they should stand by him when he brings before the House in the near future "strong" measures he proposed to take. He bemoaned that his was a difficult task; some had advised him to nationalise the film industry, while some others were against it. Similarly, on the question of concentration of newspaper ownership, Mr Shah observed that he was torn between contrary pulls to step in and the need to preserve freedom of the press. He, however, assured the House that he was doing his best to help small newspapers by giving them an extra share in government advertisements and keeping newspaper chains in check by not giving them newsprint for further expansion. Mr Shah further stated that a new newsprint factory would soon come up in Himachal Pradesh. Another two were proposed to be established in Maharashtra and Kerala. To improve the quality of the NEPA newsprint, he revealed that he had arranged for the import of chemical pulp. Simultaneously, production at the NEPA factory had been stepped up from 35,000 tonnes to 75,000 tonnes per annum. Mr Shah also spoke of the decision to install two high-powered shortwave transmitters and two superpower medium wave transmitters during the next two years

In its report on the Ministry of Petroleum and Chemicals, the Estimates Committee has taken the Ministry to task for the heavy shortfalls in the attainment of targets for the production of crude oil, slow progress of oil prospecting, both onland and offshore, and for the failure to realise adequate discounts from foreign oil companies. The committee has indicated that the gap between the indigenous production of crude oil and its total requirements would continue to widen in the coming years, resulting in an increasing outflow of foreign exchange. It has, therefore, emphasised the urgent need for stepping up the indigenous production of crude. The committee has asked the government to explore the possibility of importing the entire crude requirements of the country through a single agency—the government-owned Indian Oil Corporation. The committee has observed that there has been heavy shortfalls in the production of crude oil in the public sector during the third Plan. This is partly attributed to the delay of about 12 months in the commissioning of the Gujarat refinery on account of which Ankleshwar oil had to be kept underground and partly to the inability of the government refineries at Gauhati and Barauni to lift the stipulated quantities of crude from Assam fields. This failure of the public sector refineries to adhere to the scheduled timings resulted in the non-utilization of crude production capacities created at considerable cost. The committee has stated that the Ministry should prepare an expansion plan with realistic targets for next 15 to 20 years.

The committee has noted with concern that though the private sector refineries had started the processing of imported crude from 1954 onwards, no discounts on account of purchases of imported crude were allowed by them till June, 1960. In the opinion of the committee, it was the duty of the Ministry to ensure that the prices charged by these refineries for the import of crude were the real market prices. As discounting is a normal practice in the oil market, the committee has considered it unfortunate that the Ministry did not keep itself posted with the latest price trends in the world market and did not press the refineries to allow the available discounts resulting in avoidable outflow of scarce foreign exchange.

The committee has expressed concern over the expansion of the private sector refineries. It has expressed doubts about the doubling of the capacity of the refineries with minor modifications. It feels they had inbuilt capacity. The committee has, therefore, concluded that the government had not taken sufficient care in the beginning to check over-designing of capacities of the private sector refineries. Even now the existing machinery and arrangement for exercising checks regarding over-designing of plants, the committee feels, are not foolproof. This is considered by the committee a serious matter as the very purpose of licensing and regulating industries is vitiated by such irregular expansions. The committee is against future expansion of the Bombay refineries—those of Esso and Burmah Shell. In the opinion of the committee, any further expansion of these refineries is likely to lead to over concentration of production facilities in the Bombay area, greater strain on the transport system of the country in moving the oil products, repatriation of more profits by these refineries in foreign exchange and import of more crude from the refineries own sources.

Public Provident Fund

The Deputy Prime Minister, Mr Morarji Desai, introduced in the Lok Sabha on April 18 a bill to provide for the institution of a provident fund for the general public. Mr Desai stated that the fund was meant to be a medium of long-term savings for individuals. The bill seeks to empower the central government to frame a scheme specifying the maximum and minimum in respect of subscriptions to the fund, the extent to which withdrawals may be made and the procedure for making subscriptions to and withdrawals from the fund. Interest on subscriptions will be credited to the individual accounts of subscribers to the fund at a rate to be notified by the government from time to time. Withdrawals from the fund will be allowed only after the expiry of a period of five years from the end of the year in which a subscriber makes the initial subscription. The bill provides for withdrawal of the entire balance standing to the credit of subscriber after the expiry of 15 years from the end of the year in which he makes the initial subscription. The amount standing to the credit of a subscriber in the fund will not be liable to attachment under any decree or order of any court in respect of any debt or liability incurred by a subscriber. On the basis that in the first year 200,000 accounts will be opened and the average contribution will be Rs 500, a total contribution of Rs 10 crores has been assumed in the budget for 1968-69. The fund will be operated by the government through the agency of the State Bank of India.

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF PREFERENCE SHARES.

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS.

Persons interested in full details may obtain copies of the Prospectus and the application forms from the Company's **Registered** Office or from the offices of the Managing Brokers, Brokers, Underwriters & Bankers to the Issue mentioned hereinafter.

The subscription list will open at the commencement of the Banking hours on Friday, the **26th April**, 1968 and will close at the close of the banking hours on Tuesday, the 30th April, 1968.

Registered Office :
"INDIA EXCHANGE"
4, INDIA EXCHANGE PLACE,
CALCUTTA - 1.

HINDUSTAN MOTORS LIMITED

Factory :
P. O. UTTARPARA,
Dist. HOOGHLY,
WEST BENGAL.

(Incorporated on 11th February, 1942 in Baroda State under the Baroda **State Companies** Act, 1918 and is an existing Company under the Companies Act, 1956).

EXISTING AND PROPOSED ACTIVITIES:

Hindustan Motors Ltd. was incorporated on 11-2-1942 in Baroda State Originally the company started with a small assembly plant for assembly of automobiles at Port Okha, but in order to undertake manufacture of both passenger cars and commercial vehicles on a larger scale, a new plant was set up at Uttarpara in the State of West Bengal in 1947 This plant has grown up tremendously during the past 21 years and is now one of the largest automobile manufacturing plants in India having a capacity to produce 24,000 passenger cars and 10,500 commercial vehicles per year The capacity for commercial vehicles is going to be stepped up to 15,000 per year with the completion of the expansion programme being financed by AID under a loan of $23 million The company has already embarked upon a programme to manufacture Bedford engines for its commercial vehicles.

The company has also been successful in achieving manufacturing facilities for excavators, cranes, structurals and attachments like scrapers and bulldozers.

The company has also started a modern Steel Foundry for manufacture of steel castings

Objects of the Issue:

The purpose of this Issue is to provide part of the finance required to meet the rupee expenses being incurred in connection with the Development and Expansion programme the company has undertaken at its factory a' Uttarpara viz. Manufacture of Bedford engines, Steering mechanism and other components Excavators, Shovels, and its various components, cranes of all types including Overhead Electric travelling cranes, Mill cranes, Transporter cranes, Wharf cranes, Shipyard cranes, Mobile cranes Jib cranes and fabrication of Structurals.

The foreign exchange requirements for these projects are met from the AID and CDFC Loan Funds.

Capital Outlay and Sources of Finance:

The total cost of the above expansion is about Rs. 33 crores. The company had already spent about Rs 13 crores upto March 31, 1967 leaving about Rs. 20 crores required during the following two years. Out of this about Rs. 12 crores are to be met from foreign exchange loans from AID and CDFC and the balance requirements of Rs. 8 crores are to be met from the proposed issue of Preference shares of Rs. 2.50 crores and internal resources of the company.

SHARE CAPITAL:

Authorised Capital:

1,25,00,000 Ordinary shares of Rs. 10/- each	Rs. 12,50,00,000/-
7,50,000 Pref. shares of Rs 100/- each	Rs. 7,50,00,000/-
	Rs. 20,00,00,000/-

Issued Capital:

50,00,000 Ordinary shares of Rs. 10/- each	Rs. 5,00,00,000/-
5,00,000 Cumulative Convertible	Rs. 5,00,00,000/-
Redeemable Preference shares of Rs. 100/- each (subject to deduction of tax).	**Rs. 10,00,00,000/-**

Subscribed and Paid-up Capital:

81,60,755 Ordinary shares of Rs. 10/- each fully paid in cash (This consists of 3,19,942 Cumulative Convertible Redeemable Pref. shares converted into 31,99,420 Ordy. shares).	Rs. 8,16,07,550/-
Add: Forfeited shares (Amount originally paid up)	Rs. 1,97,425/-
	Rs. 8,18,04,975/-

PRESENT ISSUE:

Now offered to the public for subscription for cash at par in terms of the prospectus:

2,50,000 Cumulative Redeemable Preference shares of Rs 100/- each carrying dividend @ 9 3% per annum, free of Company's tax but subject to deduction of tax at source at the prescribed rates.	**Rs. 2,50,00,000**

(These shares are redeemable after 10 years, but not later than 12 years from the date of allotment).

Applications should be made for minimum of 5 (five) shares or any multiples thereof on payment of the entire sum of Rs. 100/- per share.

BOARD OF DIRECTORS:

Sri B. M. Birla 8/9, Alipore Road, Calcutta.
Businessman

Sri Kasturbhai Lalbhai Pankore's Naka Ahmedabad
Mill Agent.

Sri B. P. Khaitan, 52/2, Ballygunge Circular Road, **Calcutta.**
Solicitor & Notary Public

Sir A. Ramaswami Mudaliar, 9 Lower Rowdon Street, Calcutta.
Merchant.

Khan Bahadur C B. Taraporvala, Meher Manzil, Somajiguda, Hyderabad.
Financial Adviser to HEH The Nizam of Hyderabad.

Sri M. K. Vellodi "Dwarka," Gandhi Road, Calicut Kerala.
Retired Civil Servant

Sri Rasesh N. Mafatlal, 10, Altamount Road Bombay.
Industrialist

Sri G. D. Kothari, "Kothari Niwas," Penn Road Alipore, Calcutta.
Merchant

UNDERWRITERS:

The entire issue of 2,50,000 Preference shares of Rs. 100/- each has been underwritten as follows:—

1	Unit Trust of India. Bombay Life Building 45 Veer Nariman Road, Bombay.	Rs. 60,00,000/-
2	The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay.	Rs. 50,00,000/-
3.	Life Insurance Corporation of India, "Yogakshema" Madame Cama Road, Bombay	Rs. 75,00,000/-
4	Industrial Finance Corporation of India "Burmah-Shell House" (Annexe II), Connaught Circus, New Delhi.	Rs. 20,00,000/-
5	The United Commercial Bank Ltd. 10, Brabourne Road Calcutta-1	Rs. 15,00,000/-
6	The Central Bank of India Ltd., Mahatma Gandhi Road Fort, Bombay-1.	Rs. 15,00,000/-
7	Harkisondass Lukhmidass Stock Exchange Building Apollo Street, Fort Bombay-1.	Rs. 5,00,000/-
8	G. M. Pyne, Allahabad Bank Building 14, India Exchange Place, Calcutta-1	Rs. 5,00,000/-
9	Raja Ram Bhasin & Co "Jeewan Mansion", 8/4, Deshbandhu Gupta Road, New Delhi	Rs. 5,00,000/-
	Total	**Rs. 2,50,00,000/-**

MANAGING BROKERS:

1. Harkisondass Lukhmidass, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
2. Rasikla, Maneklal & Co., Stock Exchange Old Building Apollo Street Fort Bombay-1.
3. Dhirajlal Maganlal Purshotamdas, Stock Exchange Building, Apollo Street Fort Bombay-1
4. Chimanlal J Dalal & Co., 107 Stock Exchange New Building Dalal Street, Fort, Bombay-1
5. Navalchand T Shah & Co 15, Union Bank Building Dalal Street, Fort, Bombay-1.
6. G. M Pyne, Allahabad Bank Building 14, India Exchange Place Calcutta-1

BROKERS.

Calcutta

G. M. Pyne,
Allahabad Bank Building 14, India Exchange Place, Calcutta-1

Place Siddons & Gough (Private) Ltd.,
6, Lyons Range, Calcutta-1.

Jhawar & Co.,
7, Lyons Range Calcutta-1.

Kothari & Co.,
15 India Exchange Place Calcutta-1.

Bombay

Harkisondass Lukhmidass
Stock Exchange Building Apollo Street, Fort, Bombay-1

Rasiklal Manekla, & Co.,
Stock Exchange Old Building, Dalal Street, Fort Bombay-1.

Dhirajlal Maganlal Purshotamdas,
Stock Exchange Building Apollo Street, Fort Bombay-1

Chimanlal J. Dalal & Co.,
107 Stock Exchange New Building, Dalal Street, Fort Bombay-1

Navalchand T Shah & Co,
15, Union Bank Building, Dalal Street, Fort, Bombay-1.

A. B. Pandit & Co.,
32, Apollo Street Fort Bombay-1.

Dalal & Sons,
Stock Exchange Old Building, Dalal Street Fort Bombay-1.

Madras

Paterson & Co.,
Vanguard House, 11/12 Second Line Beach, Madras-1.

Somayajulu & Co.,
Andhra Insurance Building 337, Thambu Chetty Street, Madras-1

Bangalore

P. R. Subramanyam & Sons,
"680/3 Prabhat,' Third Main Road, Vyalikaval Bangalore-3

New Delhi

Harbans Singh Mehta & Co.,
33, Regal Building Parliament Street New Delhi.

Raja Ram Bhasin & Co.,
"Jeewan Mansion' 8/4, Deshbandhu Gupta Road, New Delhi.

Ahmedabad

Chinubhai Chimanlal Dalal,
Fatehbhai's Haveli Ratanpole
Ahmedabad.

MANAGING AGENTS:

BIRLA BROTHERS PRIVATE LTD.,
15, India Exchange Place Calcutta-1.

SOLICITORS:

KHAITAN & CO.,
1B Old Post Office Street, Calcutta-1.

AUDITORS:

S. R. BATLIBOI & COMPANY,
1B Old Post Office Street Calcutta-1.

BANKERS TO THE ISSUE:

1 The United Commercial Bank Ltd.,
10, Brabourne Road
Calcutta

2 The Central Bank of India Ltd.,
33, Netaji Subhas Road.
Calcutta-1

3 The Bank of India Ltd.,
23B Netaji Subhas Road
Calcutta-1

4 The Bank of Baroda Ltd.,
8 India Exchange Place.
Calcutta-1

5 United Bank of India Ltd.,
4, Clive Ghat Street.
Calcutta-1

3 Bank of America National Trust & Savings Association
8, India Exchange Place.
Calcutta 1.

The application form together with the remittance for full amount payable on application must be sent before the close of the subscription list to one of the Bankers to the issue at their Head Office, Main Office, if any, at any of the following places:

Calcutta
Bombay
New Delhi
Delhi
Madras
Ahmedabad
Hyderabad
Indore
Bangalore
Kanpur
Lucknow
Baroda
Amritsar
Cuttack
Gauhati
Jaipur
Patna
Rajkot
Surat
Srinagar
Mysore
Poona

WINDOW ON THE WORLD

All Eyes on Washington

E. B. BROOK

VIENNA:

THE EASTER holiday came this year almost precisely in the middle of April and provided a convenient temporary halt to see where Europe had got to in its economic affairs. The winter has been so full of near catastrophies—devaluation of sterling, the unprecedented rush to buy gold, the snaky dollar and the sudden sharp measures to curtail American spending abroad—that the earlier periods of post-war recovery and Common Market growth appear as delicious memories.

Europe looks on anxiously while Britain struggles to find some good effects from its devaluation. The pound sterling on the continental exchanges is usually disconcertingly below the official level. With even more concern does Europe look to Washington for some sign that the Americans are going to accept economies and taxation at home which will help to put the dollar into a more healthy condition. Failing a lasting improvement in the dollar, Europe sees little alternative to accepting the French thesis that the price of gold must rise. The frantic buying of gold has eased off, the less substantial speculators have been obliged to sell a little back to the banks but spasmodic gold purchases continue all the time and it would take very little to start the mad rush all over again.

Banker Speculators

Europe knows quite well that the so-called speculators are, for the most part, very substantial banks, business houses and treasuries that have bought and are still buying gold because it is the only valuable international token in which they feel safe in pinning any faith. These "speculators" have, at the moment, about 2,000 tons of gold in their hands. There is no certainty that circumstances will not compel another devaluation of sterling (the run on sterling in March cost the Bank of England some 1,000 million dollars), even less that, in an election year, the US will take the domestic political risk of putting its financial economy in order. The rebuff to Anglo-American oil interests in Iraq is another discouraging portent. The feeling grows that, just as Europe has shrunk in upon itself in the last 20 years, so may the USA in the coming years.

In such uncertainty the new three-tier system of international financial reserves has done little to provide reassurance. The Stockholm agreement has calmed things down, but some fear only temporarily. If the Monetary Fund's 107 members ratify the Stockholm decision the Special Drawing Rights (SDRs) in the International Monetary Fund could represent a significant step towards a new system of international money. Member countries would be assured of money to tide them over a balance of payments crisis, with funds automatically available in the form of a permanent addition to world reserves of internationally acceptable money. For the time being, however, the SDRs are likely to be available on only a limited scale and under fairly strict control.

The main benefit of Stockholm as far as international monetary confidence was concerned was that it showed that, despite the great world buying of gold, all the central banks rushed to protect the dollar and, incidentally, the pound. The world's treasuries and banks were revealed in Stockholm as determined to defend the main elements of the present system. This determination could weaken if the US fails now to get down to the fundamental problem of reducing its balance of payments deficit. The long delay in putting peace moves over Vietnam into effect is again shaking confidence though everyone is still turning hopeful smiles on Washington and Hanoi.

The US difficulties are not regarded here as being necessarily fatal to the dollar. Gold remains a necessary foundation of the international monetary system, though—in spite of present circumstances—its relative importance may decline. If the convertibility of dollars against gold were to be stopped, gold would probably lose its decisive value and the world would reluctantly be forced to accept a dollar standard.

The volume of Euro-dollar deposits continues to grow; a stream of dollar payments runs into areas that do not have any immediate use for them. American corporations are liquid and some of their European subsidiaries have borrowed well ahead of need. The Euro-dollar pool is now well over $17,000 million; it is at once, in practice, an addition to international liquidity although it does not add to the total international supply of dollars. The main beneficial effect is to increase the readiness and speed at which international means of payment circulate. The Euro-dollars are, in this way, filling in a gap to forestall any shortage of international liquidity until the new "paper gold" of SDRs is ready.

This continuing international, and largely European, basic dependence on the dollar reinforces the French theoretical position without strengthening it in practice. The head of the great Belgian banking house of Lambert has recently spoken of Europe becoming an American colony increasingly every day. Whereas European investment in America is portfolio investment, American investment in Europe concentrates on the realities of control, on political power. It concentrates so keenly on all advanced modern industries—electronics, computers, aeronautics—that, if they do not take care, European owners may be left with the more old-fashioned industries some of which, such as coalmining, are already dying. The French, the Belgians and the Swiss are nervous; only the more economically backward areas are now actually seeking American investment.

There is, thus, a peculiar contradiction in the current European attitude; while Europe chides and urges the USA to tax itself and economize domestically to preserve the value of the dollar, while it is pleased to have the Euro-dollar in quantity to preserve liquidity, it resents the forceful, adventurous and enterprising American management investment within its borders.

Europe's anxiety to see the dollar improve its health is, at the moment, stronger than its resentment. It is for this reason that the Common Market has agreed in principle on trade concessions which are expected to result in a 150 million dollar improvement in America's balance of payments deficit next year. The trade concessions take the form of accelerating Kennedy Round tariff cuts by one year and of permitting the United States to delay implementation of its own cuts by a similar period. The concession was made on very severe conditions of sharper domestic US taxation and modification of some of its excise rules—conditions which the US Administration and Congress may not accept, especially this year.

If American will to be accomodating is as great as its enterprise in European investment a considerable step will have been taken on both sides of the Atlantic towards liberalizing trade and freeing it of tariff restrictions. It will also have assisted in moderating the conservative French attitude. If the US, however, rejects the proposal for fear of adverse voting effects in November it may, with international tension over money still high, condemn nations to a wild scramble of competitive restrictionism. The key is in Washington's hands; the future shape of trading and of money values depends largely on how it will use that key.

Eastern Economist 20 Years Ago

APRIL 23, 1948

Among the imperatives of our economic policy is an industrialisation drive at a fairly rapid pace. Whatever else may be in doubt, and the disputes are unhappily many, there is a universal recognition of the need for such a policy and the clamour for speed is only too obvious to need emphasis. And among the most important determinants of the pace of industrial progress, given a plan that sets out to achieve that objective, would be the availability of capital to bring together the abundant raw material resources and our multitudinous population and harness these into fruitful co-operation for the benefit of our people. The question arises—are these resources adequate? Opinion on the point is far from unanimous. Mr Vadilal Lallubhai, for instance, has argued that there is really no need for any foreign capital imports into the country. This opinion has found favour with the Industrial Panels; they have taken the view that the necessary capital will be forthcoming from within the country itself and foreign capital for direct investment in industries will not be required. This view has also been endorsed by the Advisory Planning Board. It is not easy to find fault with a view held in such authoritative quarters; but we find ourselves more disposed to agree with the observations of an expert economist, Dr Colin Clark, who has made it his special domain to study the problems of economic progress. Addressing a meeting of the Indian Council of World Affairs in New Delhi last November, Dr Clark was very categorical on the subject. He regarded our current rate of saving which is between 6-7 per cent of the national income as high for a poor country.

Industrial Centres in Africa

MADAN M. SAULDIE

EVER SINCE the inception of the UN Economic Commission for Africa (ECA) in 1958, increasing emphasis has been laid on sub-regional basis of economic development on the continent. In a continent where communications are meagre, the ECA strategy appears to be the only practical approach. And the ECA's efforts in this direction have fructified to a large extent. An East African Economic Community has already been formed, though only on paper. Similar groupings in West Africa and North Africa are well on the way to materialization.

One major aim of the sub-regional approach has been to promote industrialization which has been sadly lacking so far and which is, in some cases, beyond the resources of individual countries. The overriding problem is that of finance. Alive to this need, the ECA has set up a Conference on Industry and Finance. The second annual session of the conference was recently held in Addis Ababa, Ethiopia. The conference provides a useful forum to industrialists and financiers not only from Africa but also from some advanced countries, for exchange of ideas relating to measures for stimulating industrial investment in Africa. The first conference held in Addis Ababa in January last year had recommended the establishment of industrial promotion centres for the purpose. These centres would disseminate information, assist African countries in identifying projects and advise on the organization and execution of feasibility and investment studies. It was also proposed to create an Industrial Development Council which could meet periodically and provide advice on sources of capital (for investment in the region) and expertise. Another suggestion approved was the establishment of liaison officers in Europe, the USA and the Far East to facilitate contacts between the proposed information centres, the Industrial Development Council and potential investors.

The recent conference (March 25 to 27)—attended by 17 African and 16 industrialized countries, including India— went a step further by suggesting that the proposed industrial promotion centres for groupings of African countries should work closely with other organizations promoting industrial development in Africa. They would encourage investments on sub-regional grouping basis. To achieve this, the consensus at the conference was that these centres should be established only when the groupings of countries they are to serve are operating as effective economic communities. One centre for each community was considered to be sufficient. However, it was agreed that the mechanics of the economic communities and the centres should be left to the African countries themselves to decide.

The organizations with which the centres would co-ordinate include the UN Industrial Development Organisation, the African Development Bank and the African national promotion centres and sub-regional banks. The UNIDO already runs a consultative service to help these countries obtain finance for their industries.

Happy Augury

It is a happy augury that some concrete offers were made at the conference itself. The Congo-Kinshasa delegate said that the services of the Centre for Industrial Research at the University of Kinshasa would be available for the ECA or for industrial promotion centres. The US delegate promised that he would propose to the US Agency for International Development that it should help finance a "matchmaking organization" for American investors and African countries. The AID, he said, was involved in a similar organization for American financiers and Latin American nations. Sweden and the Federal Republic of Germany also made offers of assistance to the industrial centres.

The Indian delegate, Mr S. N. Hada, offered India's expertise in promoting industrial development in Africa. African countries, he added, might benefit from knowing about experiences of recently industrialized countries such as India. A rationale to this sort of Indo-African co-operation was also provided by Mr R. K. A. Gardiner, the ECA Executive Secretary, who during his visit to India in 1964 had said that India and Africa could learn a great deal from each other's experiences.

India has already undertaken to set up 27 joint industrial ventures in Africa, and the establishment of the industrial centres in Africa is likely to facilitate the conclusion of some additional joint projects.

Structural Changes in Bulgarian Foreign Trade

EMIL BACHEVANOV

THE RADICAL changes witnessed in Bulgaria's social, political and economic life during the period following World War II, have influenced the structure of Bulgaria foreign trade. From a former importer of manufactured goods and exporter of agricultural products, Bulgaria has grown into an importer of machinery for her industrialization programme and of an extensive range of industrial raw materials, as well as an exporter of both industrial and agricultural goods. The country's export resources, volume, range and quality of production have undergone a remarkable change. The number of items on Bulgaria's export list has increased from 140 in 1939 to nearly 700 in 1967.

The exports of machinery and industrial installations accounted for 25.1 per cent of Bulgaria's total exports in 1967 (18.4 per cent in 1960 and 2.6 per cent in 1955). Until 1939, the machinery and equipment figuring in Bulgaria's exports consisted of hand saws, agricultural threshers and blowers, corn huskers, reapers and harrows. The expansion in industry has increased exports of machinery as there has been great improvement in the range and quality of production. In 1967, machinery exports were led by mechanical handling equipment (principally electric platform and high lift trucks), followed by seagoing vessels and river craft, mechanical and electrical engineering equipment, agricultural machinery, metal and woodworking equipment, and installations and machinery for the food processing and light industries.

Expansion of Chemical Industry

Chemicals accounted for 2.6 per cent of Bulgalia's total exports in 1967 (2.1 per cent in 1960 and 1.9 per cent in 1955). The comparatively slow rate of growth is explained by the fact that the output of the chemical industry is used principally within the country for further processing, or directly for the needs of agriculture. Expansion of the chemical industry has enabled Bulgaria to stop the import of many chemicals or reduce the purchases of others from abroad. What is more, Bulgaria has established her name on the world market as a manufacturer and exporter of caustic soda, soda ash, sodium bicarbonate, ammonium bicarbonate, calcium carbonate, sulphuric acid, calcium, carbide, sodium nitrate and ammonium nitrate.

In spite of the constantly growing share of industrial goods in the country's exports, agricultural products (raw and processed) continue to claim an important share of exports. They accounted for 47.6 per cent of the value of Bulgarian exports in 1967.

The year 1963 marked the start of increased tobacco exports and 1965 of the export of cigarettes. Bulgaria now exports every year about 77,000 tons of high quality tobacco and 27,000 tons of cigarettes. Wine exports have reached 150 million litres. Other major items of the agricultural group include animals for slaughter, oilseeds, fresh and canned fruits and vegetables.

Rapid industrialization and the mechanization of agriculture have necessitated increasing imports of many new types of machinery and equipment, and new raw materials. The general structure of Bulgarian imports shows the priority given to machinery and modern agricultural equipment. During the past decade or so they have accounted for 45 to 50 per cent of the value of all imports. Fuels, mineral raw materials and metals accounted for 24 to 26 per cent more of Bulgaria's imports. The remaining commodity groups, whose share of imports has not shown any significant fluctuation, are nevertheless indicative of the constantly growing volume of foreign trade. Thus, imports intended to meet cultural and ordinary

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necessities were about 47 per cent higher in 1967 than in 1960. tropical fruits about four times more, building materials increased 2.5 times and raw materials for the textile industry 44 per cent higher.

The increasing needs of imports and Bulgaria's constantly growing export potential have meant new markets in many parts of the world. The year 1967 has been a good one for Bulgarian foreign trade. While in 1955 Bulgaria maintained commercial contacts with 55 countries, in 1967 their number increased to 102. The socialist countries still absorb 75 per cent of Bulgaria's commercial turnover and the developing countries five per cent (2.9 per cent in 1960 and one per cent in 1950).

Amongst the socialist countries, the USSR accounted for about 50 per cent of Bulgaria's foreign trade, followed by the German Democratic Republic 7.8 per cent, Czechoslovakia 5.2 per cent, Poland 3.2 per cent, Hungary 2.1 per cent, Cuba 1.7 per cent, Yugoslavia 1.6 per cent and Rumania 1.1 per cent. The relative share of the non-socialist countries has also increased during the past few years. It is interesting to note that Italy leads this list followed by the Federal Republic of Germany, France, Austria, Great Britain, Japan, Switzerland, Belgium and the Netherlands.

The moving finger writes

THE COURSE of the moves for peace talks on Vietnam suggests that fears entertained in some quarters that the United States would be turning its back on the issue of communism in Asia in frustration and with a sense of failure have been highly exaggerated. It is clear that the United States is only interested in a political settlement which will not only ensure to the people of South Vietnam their right to participate in the choosing of the kind of government or political system they would like to have but also enable Washington to persevere in realising by peaceful means, and in co-operation with like-minded nations in Asia, a pattern of power-relationship favourable to the preservation of democratic forms of government in those areas of the continent which are peculiarly vulnerable to communist aggression or subversion. Whether the United States will be sufficiently successful in this effort to save Asia for democracy is anybody's guess, but it seems to me that governments, such as ours, which have been critical, in season and out of season, of the US war effort in Vietnam surely have an obligation to assist Washington at least at this stage in steps for securing an arrangement in Vietnam which would make it possible for these parts of the world to live in freedom from fear of a communist takeover.

* *

If prohibition still survives at all in our country, it does so almost wholly as incidental to the personal credo of a few individuals in high places. There are only two state governments which are still sincerely committed to prohibition. One is the Congress government in Gujarat and the other the DMK government in Madras state. In Gujarat, a sense of loyalty to Mahatma Gandhi and the earthly presence of Mr Morarji Desai in the state politics seem equally responsible for Congress politicians keeping to the straight and narrow path. In Madras state, Rajaji's influence and the Madras Chief Minister, Mr Annadurai's own personal faith must take the credit. My own view, for what it is worth, is that effective restrictions on the access which the economically depressed or socially backward have to alcohol are, on balance, a factor making for much common good and public welfare. I fail to see, however, why Rajaji should mix up prohibition with his anti-Congress politics. It is true that Congress governments, barring that of Gujarat, have gone back on prohibition in varying degrees, but is it not the case that the Swatantra-led ministry in Orissa too does not have any use for prohibition? What has gone wrong is not that a particular political party has turned apostate out of cussedness or sheer villainy but that there is no strong public opinion at present in favour of anti-drink laws.

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I had never been an uncritical admirer of the DMK Chief Minister of Madras state, but I gladly concede that Mr Annadurai has risen greatly in my esteem as a result of the very dignified statements he made on matters of national interest before he left on a visit to Europe, the United States and Japan. It speaks very highly of his sense of responsibility that he should have sought and secured from the Prime Minister guidence on how he should deal with issues relating to our country's foreign policy in his discussions abroad. Mr Annadurai stated that his utterances and actions during his tour would be such as to project the image of India as a whole and enhance the prestige of the country. Asked what he would say about the language controversy, his reply was that he would explain that there were 'differences' over this matter, but that they would have to be settled 'within the framework of national unity'. Regarding centre-states relationship, the Chief Minister of Madras stated that he would talk about the allocation of powers and funds as between the centre and the states and how certain readjustments and reviews had become desirable in the light of our experience in the last 20 years in trying to work out federalism. I have a feeling that there are some Congress politicians, including ex-ministers or ministers at the centre, who, in their conduct while abroad, could well have emulated Mr Annadurai in his understanding of what leaders in government owed to their country or their people.

* *

That Mr N. Sanjiva Reddy will go down in the records of our Parliament as an outstanding speaker is not in doubt. Starting with the advantage of being a naturally talented and vastly experienced politician, he has learnt through trial and error how to guide the Lok Sabha smoothly and purposefully through its difficult moods and moments. That this achievement is the result of some very serious and solid thinking on the rights and responsibilities of the chair is suggested by his remarkably wise and lucid address at a conference of presiding officers of legislatures held recently in New Delhi. Passage after passage from this speech is worth reproducing, but I would resist the temptation and restrict myself to putting down here the following extremely valid points which Mr Reddy made:

(a) The first and foremost duty of the speaker is to enable the house to function at all times. All the powers vested in him are intended to enable him to discharge this duty. Under the Constitution, the house is the master of its procedure and business. The house is paramount, not the speaker, who, it may be added, can claim no inherent right to override or bypass the house or to arrogate to himself powers and functions which properly belong to the house.

(b) The Constitution gives the right to a chief minister to recommend to the governor the date on which the house should be summoned. The governor may suggest an alternative date, but it should be left to the chief minister or the cabinet to revise the decision or not. A convention should be adopted that in case a majority of members make a request in writing that the assembly should be summoned on a particular date, the chief minister shall advise the governor accordingly.

(c) The question whether a chief minister has lost majority in the assembly or not should at all times be decided by the assembly. It is not for the governor to determine whether a chief minister continues to enjoy the support of the majority of the members or not, even if the members make their opinion known to the governor in writing. It is the prerogative of the assembly to decide this issue.

(d) The power of the speaker to adjourn the assembly is circumscribed by well-established conventions and precedents. Adjournment of the house "sine die" or for a period is always done on the proposal of the leader of the house. Orders of adjournment made otherwise can be regarded as null and void by the house and it will be perfectly in order for the house to continue to sit and transact business with the deputy speaker or another member competent to preside in the chair.

I hope that the leadership so ably given by Mr Reddy to the presiding officers of legislatures will be availed of by those on whom the obligation rests for the prevention of a repetition of the incidents which threatened to break up the processes of popular government in West Bengal and Punjab.

V. B.

Trade Winds

MANAGING AGENCY SYSTEM

NECESSARY LEGISLATION to give effect to the government's decision to abolish managing agency system is expected to be brought forward in the current session of Parliament. The government is also considering whether or not the institution of secretaries and treasurers, which was initially conceived as a better alternative form of organisation to take the place of the managing agency system, should also be done away with. The government has also accepted in principle the proposal for prohibiting companies from making any contribution out of their funds to any political party or political organisation.

SHIPPING TONNAGE

The Indian Shipping tonnage has reached the two million mark. Ships with gross tonnage of 86,000 DRT were acquired in 1967-68. Firm orders have been placed for over 400,000 GRT, including two tankers of 77,000 DWT each and three bulk carriers of 85,000 DWT each, according to the annual report of the Ministry of Transport and Shipping for 1967-68. The state-owned Shipping Corporation of India made a net profit of Rs 4.70 crores during 1966-67 as against Rs 1.70 crores in the previous year. Major ports handled foodgrain imports of about 9.56 million tonnes and exports of 11.92 million tonnes of iron ore and 1.09 million tonnes of iron and steel machinery. The report says that the Ministry's reorientation of policy and executive action was directed mainly towards port development, streamlining the working of Hindustan Shipyard, development of shipping and reviewing problems of road and inland water transports.

New Scooter Unit: A final decision with regard to licensing of an additional unit for the manufacture of scooters is expected to be taken shortly by the Licensing Committee, which is now examining the report of the sub-committee appointed to consider the various applications. The expansion of existing units will be considered on receipt of proposals. The production of scooters is still not sufficient to meet the growing demand. About 250,000 orders for scooters are pending with the dealers in the country. Prices of existing makes of scooters are also comparatively high.

Hindi Teleprinters: The first batch of Hindi teleprinters will roll out of the Hindustan Teleprinters Ltd by July this year. Over 600 Hindi teleprinters are likely to be manufactured in the first year ending July, 1969.

Agreement on Double-taxation between India and Rumania: India and Rumania are to conclude soon an agreement for the avoidance of double taxation of income of enterprises operating aircraft and ships in international traffic. Draft copies of the agreement were initialled in New Delhi recently.

Iron Ore to Rumania: India will be sending to Rumania eight lakh tonnes of iron ore valued at about Rs 1 crore this year. This has been disclosed by Mr T. P. Singh, Chairman of the Minerals and Metals Trading Corporation, after his return from Rumania.

Cement to Ceylon: The State Trading Corporation of India has won an order for the supply of 50,000 tonnes of cement clinker to Ceylon, against competition from the Soviet Union, Canada, France and Japan. The Corporation has already finalised a contract for the supply of another 25,000 tonnes of cement with the Co-operative Wholesale Establishment of Ceylon.

Triveni Structurals: Triveni Structurals Ltd—a joint enterprise of the union government and an Austrian firm—will go into production shortly. The firm will manufacture some of the more complicated and sophisticated steel structures. The capacity planned is 25,000 tonnes per annum. Consequent upon the devaluation of the rupee, the estimated cost of the project has gone up from Rs 4.8 crores to Rs 5.74 crores. To meet this increased cost, the company proposes to increase its authorised share capital from Rs 2 crores to Rs 3 crores.

Farm Fund By Asian Development Bank: The United States and Japan will each contribute $100 million to an agricultural fund to be administered by the Asian Development Bank. The decision to set up the Fund was taken at the South East Asian Economic Conference held recently in Singapore. Other contributions to the Fund would come from Canada ($25 million) Denmark ($2 million) and the Netherlands ($1 million).

Indian Detonator Fuses: India has become, for the first time, one of the suppliers of detonator fuses to America and some other countries in Asia for blasting mines. Mr M. V. Vardarajan, Managing Director of Indian Detonators told newsmen at Hyderabad recently that his firm had shipped detonator fuses worth about Rs 7.5 lakhs to America. Another order worth about Rs 18 lakhs for Indian detonator fuses from America is expected shortly.

Electronic Parts Unit: A joint Indo-American venture for the manufacture of high precision electro-mechanical electronic components will be set up shortly at Kanayannor in Kerala. First of its kind in the field, the Rs 91-lakh private sector undertaking will initially take up manufacture of switches, relays and crystals suitable for military applications. The items are at present imported by the country. The collaborating US firm, Oak Electronics Corporation, will have 41 per cent shareholding interest while the balance of 51 per cent will be shared between the Kerala State Industrial Development Corporation and three other associations.

Neyveli Corporation: The Neyveli Lignite Corporation has incurred a loss of Rs 14.06 crores since its inception up to the end of 1966-67. The main reason for the loss was the productive units not having been able to work to their full capacities owing to various technical and other difficulties. Steps have been taken to improve the working of these units. One of the steps being taken to reduce the loss is to increase the rate charged for the power supplied from the Neyveli power station to the Madras grid. The capacity of the power station is to be increased from 400 mW to 600mW. Additional mining machinery estimated to cost about Rs 4.87 crores is proposed to be purchased to raise the output of lignite from 4.5 million tonnes to 6.3 million tonnes to meet the ultimate requirement at the 600 mW stage of the power station and the fertiliser and briquetting and carbonisation plants operating at full capacity. The fertilizer plant commenced production in March 1966 and was expected to achieve full production, i.e., 1.52 lakh tonnes, during 1967-68. However, on account of certain operational difficulties, such as clinkering, corrosion of metals and contamination by cyanide in the gasification section, the plant did not pick up production. With the implementation of certain recommendations, there had been a "significant improvement" in the production of urea, particularly from December 1967

Fertilizers from USSR: The Soviet Union will supply to India 180,000 tonnes of ammonium sulphate, 50,000 tonnes of urea and 20,000 tonnes of Muriate of potash worth about Rs 10 crores. An agreement to this effect was signed in New Delhi last week.

Diamond Extraction: The fourth plant for diamond extraction at Majghawan in the Panna diamond belt was pressed into action by the union Minister for Information and Broadcasting, Mr K. K. Shah, last week. Composed of locally-fabricated indigenous machines costing Rs 1.5 lakhs, the plant is expected to double production capacity to 30 carats a day.

Titanium Dioxide: The Travancore Titanium Products Limited, a public sector undertaking, has signed an agreement with the Power Corporation Limited, a British engineering company, for stepping up its production from the present level of 6,000 tons to 24,000 tons per annum by 1970. The TTP manufactures titanium dioxide from the ilmenite deposits at Chavara, near Quilon, which are estimated at 200 million tonnes.

Rubber Supplies. The Rubber Board is of the view that no import of rubber will be necessary for 1968-69 as indigenous supplies will be sufficient to meet the demand. The recently reconstituted board, at its first meeting held in Kottayam last week, considered the stock position as well as the import policy for rubber. It estimated a production of 72,000 tonnes of natural rubber and 25,000 tonnes of synthetic rubber during 1968-69. The stock of both kinds of rubber on April 1 was estimated at 35,000 tonnes and the import of special purpose synthetic rubber at 4,000, bringing the total supplies to 140,000 tonnes. The demand was also estimated to be for an equal quantity, including a reserve stock equal to three months' consumption estimated at 28,000 tonnes.

Sports Footwear for Belgium: The export of Indian sports footwear to Belgium in terms of value went up from 2,800,000 francs in the first 10 months of 1965 to 6,834,000 francs, and 7,911,000 francs in the same period of 1966 and 1967 respectively.

Scooter and Sugar Plants for Rajasthan: A scooter factory, a sugar plant and salt works are among several projects the Rajasthan government proposes to set up in the state. The plant to produce sugar from sugar beet is prompted by the keenness of farmers in Ganganagar to grow beet. Already a pilot project, capable of 25 tonnes a day, has been set up at this place. The capacity of the proposed sugar plant will be 500 tonnes a day. As for the scooter factory, licence for which has been sought from the centre, it would have production capacity of 50,000 scooters a year.

Kota Instruments Unit: India and Russia have signed a protocol providing for diversification of production at Kota factory of Instrumentation Ltd. It will help in utilising the spare capacity which is expected to be available at the Kota factory as the demand for the range of instruments, originally proposed to be manufactured, has substantially fallen. Since the production of complementary instruments at the projected Palghat factory of Instrumentation Ltd has now been postponed, the protocol also provides for minimum essential production of some of those instruments at the Kota factory. The question of date from which production of these should commence at Palghat has been left open and a final decision will be taken later. The protocol is expected to enable the Kota factory to have a better product-mix and to supply completed systems to its customers including Bokaro Steel Ltd, and thermal and other plants.

ADB Assistance for Nepal: The Asian Development Bank has offered assistance to Nepal for development of its agriculture and transport. The total amount of aid was yet to be finalised.

Aluminium Unit at Belgaum: The Rs 100-crore Indian Aluminium factory at Belgaum will go into production in 1969. Since it is a major power-based industry consuming over three lakh kW of power, the Mysore government has entered into a long-term agreement (25 years) in the first instance with the company.

Surgical Instruments Unit: Suitable plans for diversifying the production pattern of the surgical instruments factory in Madras are being drawn up in consultation with Russian experts, according to a review of the working of the state-owned Indian Drugs and Pharmaceuticals Limited for 1966-67. There had been an accumulation of instruments produced by the Madras factory for want of ready market in India. Consequently, production had to be completely reoriented to suit the market conditions of demand and prices. The factory had designed and got approved IUCD and vasectomy sets for which it received substantial orders. Efforts are also being made to explore export markets for the products of the unit. The company suffered a net loss of Rs 60 lakhs in 1966-67. The company also managed the antibiotics plant at Rishikesh and the synthetic drugs plant in Hyderabad. While the construction work at Rishikesh was nearing completion, the construction of the synthetic drugs plant in Hyderabad was almost complete.

Circuit Breaker: India's first 132 kV minimum oil content

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type circuit breaker manufactured by a local engineering firm was tested in Baroda on April 14 in the presence of a distinguished gathering. Until now, these circuit breakers were being imported. The ceremony also covered the commissioning of the first phase of high rupturing capacity laboratory, first of its kind in the country, being set up by the firm.

Asian Businessmen Meet in Manila: The 16th session of the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce will be held in Manila from May 1 to 4 to consider economic problems facing this region. Dr Bharat Ram will lead the Indian delegation constituted by the Indian National Committee of the International Chamber of Commerce. The delegation is composed of Mr S. L. Kirloskar, Mr S. S. Kanoria, Mr S. P. Godrej, Mr P. Chentsal Rao and Dr H. L. Gupta. Besides Asian businessmen, leading industrialists from the developed countries of Europe, America and other parts of the world, as also representatives of the international organisations such as UNIDO, FAO, ILO, ECAFE and the Asian Development Bank will be attending the session.

Sugar Quota for States: The Government of India has issued orders releasing from the factories 110,000 tonnes of levy sugar to the state governments and 90,000 tonnes of sugar for free sale. Deliveries against these orders are to commence from April 23, 1968. The free sale quotas will be valid for despatch from the factories for 30 days from April 23, 1968.

Alcohol Price Revised: The Government of India has allowed an increase of Rs 26 per kilolitre in the selling price (ceiling) of alcohol on an ad hoc basis. The revision has been allowed on two grounds: (i) the cost of production under different heads taken into account by the Tariff Commission has gone up since its report in 1965; (ii) the assumptions made by the Tariff Commission in regard to the utilisation of distillery capacity no longer hold good in view of the country-wide shortage of molasses. In view of the fact that there will be seasonal and regional variations in the utilisation of distillery capacity, the government has asked the Tariff Commission to go into this and allied issues and submit a report.

Indo-Yugoslav Economic Co-operation: Following close on the heels of the tripartite trade and economic co-operation agreement between India, Yugoslavia and the United Arab Republic, the current visit of an eight-member delegation of Indian businessmen and industrialists to Yugoslavia should go a long way in fostering closer economic relations between two of the three participants in the arrangement. The delegation, sponsored by the recently formed Indo-Yugoslav Business Group, is being led by the group's chairman, Mr K. K. Jajodia. During its 12-day sojourn in Yugoslavia, which began on April 18, the delegation is expected to study the scope for increasing our exports, particularly of non-traditional items such as engineering goods (both capital equipment and consumer articles), rubber products, chemicals, etc. The delegation is also expected to explore the possibilities of going in for joint ventures not only in the two countries but also in third party countries.

Some of the fields suitable for collaboration between India and Yugoslavia are said to be the manufacture of tractors, diesel engines, heavy electricals, electronics, domestic appliances, machine tools, television sets, and processing of food products. Indicating the lines along which the delegation desired to have discussions with both the business and government organisations in Yugoslavia, Mr Jajodia observed here last week, that the delegation would urge the Government of Yugoslavia to give greater encouragement to the imports of Indian goods by liberalising bank credit, effecting suitable adjustments in tariffs and through provision of cash assistance and tax concessions to Yugoslav importers. Another type of help the Yugoslav government could provide in this regard, he felt, was persuading the state enterprises to purchase their requirements from us on long-term basis. The delegation would also visit the Zagreb International Fair with a view to studying the range of products Yugoslavia is in a position to supply to us. Mr Jajodia hinted that in future India might be participating in the Zagreb fair on a much bigger scale than has been the case hitherto.

Company Affairs

JAY SHREE TEA

JAY SHREE Tea and Industries Ltd has reported excellent results during the year ended December 31, 1967, with production, sales and profits attaining new peaks during the year. This is indeed a magnificent achievement when considered against the background of increased cost of production in general and economic recession and unstable political conditions prevailing throughout 1967 in particular. The company's pioneering experiment of round-the-year plucking has met with great success. Thanks to innovations and modern techniques employed in raising productivity, the production at the company's gardens, excluding the crop in the newly acquired Tukvar Tea Estate, has touched an all-time record of 73.22 lakh kgs in 1967 as compared with 64.63 lakh kgs in the previous year. This increase works out to 13.28 per cent as against an all-India increase of 1.44 per cent. The company is now producing about 2 per cent of the total tea crop in India.

Nearly all the units of the company worked efficiently and contributed to higher production in 1967. During the year the Kallyar Estate of the company had the signal honour of receiving the Tea Board trophy for the highest yield per hectare in India for the year 1966. With record rise in production, sales including income from other sources, rose to an all-time high of Rs 10.36 crores as against Rs 10.12 crores in 1966. This has enabled the company to earn a handsome gross profit during the year. This was approximately Rs 29 lakhs higher than that of 1965, which was the highest profit year so far.

The plywood unit in Assam has reported encouraging working results during the year. Jay Shree Timber Products at Andamans increased its production even though the supply position of timber continues to be unsatisfactory. In spite of dislocation and delay in the supply of sulphur and rock phosphate, Jay Shree Chemicals and Fertilisers at Khardah was able to achieve higher production of superphosphate and sulphuric acid than in the preceding year. The company has commissioned at Khardah, adjacent to the chemical unit, a cold storage plant with a capacity of one lakh maunds. It has also acquired land in Tripura for establishing a plywood factory. The construction work has already been taken in hand and the factory is expected to commence production by the middle of 1969.

In view of the efficient working of most of the units and increased production of the tea gardens, the future prospects of the company can be regarded as satisfactory provided prices of tea are not unduly depressed during 1968.

The company has recently decided to issue bonus shares in the ratio of one share for every four equity shares held. Necessary permission has been obtained from the Controller of Capital Issues for the proposed bonus issue.

HINDUSTAN MOTORS

Hindustan Motors Ltd has taken in hand several schemes which will expand and diversify its production range It is now having a capacity to produce 24,000 passenger cars and 10,500 commercial vehicles per year. The capacity of commercial vehicles will be stepped up to 15,000 per year with the completion of the expansion programme being financed by AID under a loan of $23 million. The company has already embarked upon a programme to manufacture Bedford engines for its commercial vehicles. The company has also been quite successful in achieving manufacturing facilities for excavators, cranes, structurals and attachments such as scrapers and bulldozers. It has also set up a modern steel foundry for manufacture of steel castings.

The company is now offering for public subscription for cash at par 250,000 cumulative redeemable preference shares of Rs 100 each carrying an interest of 9.3 per cent per annum. The shares are redeemable after 10 years but not later than 12 years from the date of allotment. The subscription list opens on April 26 and will close on April 30, 1968. Application for shares must be for a minimum of five shares or in multiples thereof. The entire sum of Rs 100 per share is payable along with the application. The public issue is fully underwritten.

The purpose of the present issue is to provide a part of the finance required to meet the rupee expenses being incurred in connection with the development and expansion programme the company has undertaken at its factory at Uttarpara, West Bengal. The scheme envisages the manufacture of Bedford engines, steering mechanism and other components, excavators, shovels and its various components, cranes of all types including overhead electric travelling cranes, mill cranes, transporter cranes, wharf cranes, shipyard cranes, mobile cranes, jib cranes and fabrication of structurals. The foreign exchange requirements of these projects are met from the AID and CDFC loan funds.

The total cost of the expansion schemes is placed at Rs 33 crores. The company had already utilised about Rs 13 crores up to March 31, 1967, leaving about Rs 20 crores to be spent in the following two years. Out of this, about Rs 12 crores will be met out of the foreign exchange loans from AID and CDFC, Rs 2.5 crores from the present public issue and the balance from the internal resources of the company.

TEXMACO

Textile Machinery Corporation Ltd continues to expand and broaden its range of manufacture. To finance its development and expansion programmes the company is offering 20,000 registered first mortgage debentures (1978-83) of Rs 1,000 each for cash at par to the public for subscription. The subscription list opened on April 23 and will close on April 30 or earlier at the discretion of the directors but not before April 27, 1968.

The company has an authorised capital of Rs 5 crores and an issued, subscribed and paid-up capital of Rs 2.90 crores. Out of the present debenture issue of Rs 2.50 crores, 5,000 debentures of Rs 100 each has been reserved by the company for issuing them to the nominees of the company's bankers for securing banking facilities. For the present the company would issue and pledge 4,100 debentures to the United Commercial Bank Ltd, Calcutta, as security for a guarantee executed by them in favour of Commonwealth Development Finance Company Ltd, UK, in respect of the foreign exchange loan granted by CDFC to the company amounting to £225,000. The remaining debentures worth Rs 2 crores are now offered for public subscription. Application for debentures must be in multiples of Rs 1,000 with a minimum of Rs 1,000 payable in full on application. The public issue is fully underwritten. At present the company is manufacturing carding engines, draw frames, simplex frames, ring frames and other components at its textile division at Belgharia, West Bengal. Its heavy engineering division at Agarpara, adjacent to the Belgharia Works, is engaged in the manufacture of railway rolling stock, boilers of all types such as lancashire, vertical, cornish, loco and water tube boilers, sugar mill machinery and heavy structurals of different types. To meet the demand for steel castings, it started a steel foundry at Belgharia Works with a capacity of 3,600 tonnes of steel castings per annum. To further diversify its activities, the company started the manufacture of 3C capstan lathes with a capacity of 100 numbers per annum in technical collaboration with Messrs H. W. Ward & Co Ltd of the UK. The company has now embarked upon a programme to undertake the manufacture of turret lathes and to expand the capacity of the steel foundry. The proceeds of the debenture issue will be utilised for financing these schemes.

ASHOK LEYLAND

To raise part of the resources required for the implementation of its expansion programmes, Ashok Leyland Ltd is offering for public subscription at par 200,000 registered debentures (1978-83) in units of Rs 1,000 each carrying an interest of 7.75 per cent per annum. The subscription list opens on April 26 and will close on April 30, 1968. The public issue is fully underwritten.

The company is engaged in the manufacture of Ashok Leyland Comet type passenger and goods chassis and Beaver/Hippo range of passenger and goods chassis. The factory at present has capacity to produce 5,000 Comet chassis and assembly of 500 Beaver range of chassis per annum. Although the company has recently obtained an industrial licence for manufacturing 2,000 Leyland Heavy Duty Beaver/Hippo range of commercial vehicles per year, the company initially proposes to take up the manufacture of 1,000 vehicles per annum on a double shift basis. The cost of the proposed expansion is estimated at Rs 508.75 lakhs. A sum of Rs 183.60 lakhs will be spent for importing the necessary plant and equipment while an amount of Rs 198.96 lakhs will be utilised for procuring indigenous plant and machinery including the expenses of the issue. A further amount of Rs 126.19 lakhs will be needed for meeting the additional working capital requirements. It is proposed to finance the above expenditure by drawing a loan of 2,448,000 dollars equivalent to Rs 183.60 lakhs from ICICI, by the present debenture issue of Rs 200 lakhs and the balance of Rs 125.15 lakhs from the internal resources of the company.

AVERY INDIA

To keep pace with the growing demand for weighing equipment, Avery India Ltd is expanding its manufacturing facilities not only to produce more models of the existing range but also to produce a wider range of highly sophisticated weighing and testing machinery. To finance a major part of the above schemes, the company is approaching the capital market on April 30 with a public issue of Rs 54.08 lakhs, all in equity shares of Rs 10 each at a premium of Rs 2 per share. The company has an authorised capital of Rs 4 crores and an issued, subscribed and fully paid-up capital of Rs 101.40 lakhs. The present issue is for Rs 67.60 lakhs divided into 676,000 equity shares of Rs 10 each. Out of the present issue, the directors, their friends and associates and employees of the company have agreed to subscribe to 135,200 equity shares of Rs 10 each at premium of Rs 2 per share. The remaining 540,800 equity shares of Rs 10 each at a premium of Rs 2 per share are now offered to the public for subscription. The subscription list will close on May 9 or earlier at the discretion of the directors but not earlier than May 4, 1968. The public issue is fully underwritten.

Application for shares must be for a minimum of 25 shares or in multiples thereof. A sum of Rs 6 per share, made up of Rs 5 on capital account and Re 1 on premium account, is payable along with the application. The balance is to be paid by one call as determined by the board of directors but not before July 1, 1969.

The company has leased a 15-acre site in Calcutta and its development is now under progress. It has entered into a technical assistance agreement with Averys Ltd of the UK under which all the latest technical breakthroughs, production and quality improvements and engineering innovations developed by the foreign collaborators will be made available to the company.

The sales of the company have increased from Rs 2.10 crores in 1963 to over Rs 3 crores in 1967, while the adjusted profit has gone up from Rs 13.37 lakhs to Rs 24.54 lakhs. Barring unforeseen circumstances, the company expects to be in a position to pay a dividend of 12 per cent per annum, subject to tax, for the financial year ending December 1968. With progressive increase in sales, a handsome rise in profits is expected. Hence the shareholders can look forward to reasonable dividends in the coming years.

FERRO COATINGS & COLOURS

Ferro Coatings & Colours Ltd is entering the capital market on April 30 with a public issue of Rs 7.5 lakhs, all in equity shares of Rs 10 each. The subscription list will close on May 10. The directors, at their discretion, may close the list earlier but not before May 3, 1968. The entire public issue is underwritten. The company has been formed to undertake the manufacture of porcelain enamel frits, ceramic glaze frits, inorganic colours and other items used in the manufacture of porcelain enamel, ceramic, plastic and glass industries and to manufacture and deal in fritted trace elements for the fertilizer industry and to carry on business as engineers, designers and constructors of ceramic kilns and porcelain enamel furnaces and allied equipment. The company commenced production of frits in July 1967 and hopes to start the manufacture of colourants by the end of the year. The Ferro Corporation of the USA is providing the necessary technical and financial collaboration.

PHILIPS INDIA

In spite of unfavourable economic conditions prevailing during the most part of 1967, Philips India's performance in both production and sales has shown a satisfactory improvement over 1966. This has been due to the continuous efforts the company made in the past years by broadening its manufacturing base as well as by following progressive policies in marketing and administration.

During 1967 the company's sales went up by 24.4 per cent to Rs 23.40 crores. The rise in sales was largely in light articles and radio sets and in the substantially higher supply of raw materials and components to other indigenous manufacturers of lamps and radios. In addition sales of telecommunication equipment, industrial and scientific apparatus and electronic measuring instruments also showed an appreciable increase over last year. Concerted efforts were also made by the company towards the promotion of export sales.

The company's factory at Kalwa reached its full production capacity resulting in a significant increase in the manufacture of incandescent and fluorescent lamps as well as the basic components for their manufacture. The factory has also attained the rated capacity for the manufacture of fluorescent powder production of which commenced towards the end of 1966. The company has obtained sanction from the government for the manufacture of Krypton miners' safety lamps and to the expansion of the glass tube making capacity. These projects, when implemented, will contribute to considerable savings in foreign exchange.

The production of electronic components at the company's factories at Poona and Calcutta continued to show significant increases during 1967 while new types of electronic component and sub-components were added to the already existing range of products in these two factories. The company has received letters of intent to expand manufacture of standard electronic components and also for the manufacture of highly sophisticated professional types of electronic components for use by telecommunication, defence, telephone and electronic instruments industries.

A significant contribution has been made towards improvement of communications and entertainment in rural areas by the introduction of low cost receivers and steps are being taken to augment their production further in the current year.

The company's factory in Bombay maintained a satisfactory level in the production of electronic measuring intruments and public address systems while its telecommunication factory in Calcutta manufacturing fully transistorised portable transreceivers achieved a higher level of production than in the previous year.

By pursuing a vigorous drive for import substitution the company has been able to reduce the import content in its entire field of manufacture to an all-time low of 5.7 per cent of the total value of production for 1967.

To further expand and diversify its lines of production the company has applied to the government for licences to manufacture television receivers, TV picture tubes, TV receiver components, semi-conductor devices and mobilophones.

NATIONAL EKCO

The merger of the National-Ekco Radio and Engineering Co. Ltd and General Radio and Appliances Ltd has been approved by the Bombay High Court and it became operative with effect from April 16, 1968. The subscribed paid-up capital of the merged company will be Rs 61.66 lakhs.

NEW REGISTRATIONS

Ninety-nine companies were registered under the Companies Act in different states during January, 1968. Seven of these were large companies each having an authorised capital of Rs 50 lakhs and more.

Of the ninety-nine companies one was limited by guarantee and the rest by shares. No Government company was floated.

Of the ninety-eight companies limited by shares, nine were public limited and the rest private limited. They had an aggregate authorised capital of Rs 5.40 crores and Rs 5.35 crores respectively. Of these two will be engaged in mining and quarrying, sixty in processing and manufacture, seven in trading, two in investment and trust, eighteen in financial business and nine in miscellaneous activities.

The largest number of new companies, 24, were registered in Maharashtra, followed by 22 in West Bengal, and 15 in Delhi.

Thirty-one of the ninety-eight companies limited by shares chose the Managing Directors' system; forty-six the Board of Directors form of management. The rest of the twenty-one companies did not indicate any form of management at the time of registration.

In December, 1967, ninety-four companies were registered. Of these ninety were limited by shares and four by guarantee. The ninety companies limited by shares consisted of eight public limited and eight-two private limited companies having aggregate authorised capital of Rs 4.08 crores and Rs 3.85 crores respectively.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development & Regulation) Act 1951 during the week ended January 13, 1968. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (N.U.); Substantial Expansion (S.E.); New Article (N.A.); Carry on Business (C.O.B.); Shifting—and annual installed capacity.

LICENCES ISSUED

Coal

Shri K. N. Poddar, North Ambazari Road, Nagpur-1. (P.O. Kharsia, Dt., Raigarh, Madhya Pradesh—Coal Existing capacity —2,900 tonnes—Capacity after Expansion—7,200 tonnes. (S.E.).

Storage Batteries

M/s. Associated Battery Makers (Eastern) Ltd., 59-C, Chowringhee Road, G.P.O. Box No. 2029, Calcutta-20. (Calcutta, West Bengal)—Containers & Hard Board Components—1,20,000 Nos. (S.E.)

Radio Receivers

M/s Telefunken India Ltd., K-674, Hauz Khas, New Delhi-16. (Bombay, Maharashtra)—Radio Receivers—Existing capacity—40,000 Nos.—Expansion recommended—80,000 Nos. (S.E.); M/s Murphy India Ltd., Dr. Shirodkar Road, Opp: Hospital Avenue, Parel, Bombay-12. (Bombay, Maharashtra) —Radio Receivers—Existing capacity—80,000 Nos. Expansion recommended—1,20,000 Nos. (S.E.).

Inorganic Fertilisers

M/s The Delhi Cloth & General Mills Co. Ltd., P. Box No. 249, New Delhi-1. (Najafgarh, Delhi)—Superphosphate—Expansion—98,470 tonnes—After Expansion—1,32,000 tonnes. (S.E.).

Textile Auxiliaries

M/s Hindustan Lever Ltd., Hindustan Lever House, Post Office Box no: 409, 165-66, Backbay Reclamation, Bombay-1. (Sewri, Bombay, Maharashtra)—Synthetic Detergents—Existing Capacity—3,600 tonnes. Capacity after expansion—7,100 tonnes. (S.E.). M/s Swastik Oil Mills Limited, 13/15, Wittest Road, Ballard Estate, Bombay. (Bombay, Maharashtra)—Synthetic Deterents—Existing capacity—3.600 tonnes. Capacity after expansion—11.880 tonnes. (S.E. & Shifting).

Synthetic fabrics

M/s Reliance Textile Industries (P) Ltd., Court House, 4th Floor, Tilak Marg, Dhobi Tolao, Bombay-2. (Ahmedabad, Gujarat State)—Rayon/Synthetic Yarn—Four drap knitting malines capable of producing one million sq. meters of knitting fabrics on two shift basis per annum—Processing of Rayon Synthetic fabrics—1.50 million sq. meters. (C.O.B.).

Flour

M/s Sethalakshmi Hall, Chickpet, Bangalore-2. (Bangalore, Mysore State)—Wheat Products—18,000 tonnes. (N.U.).

Tyre & Tubes

M/s Ruby Rubber Works Ltd, P.O. Rubynagar, Chenganacherry, (Kerala). (Chenganacherry—Kerala State)—Bicycle Tyres—6,00,000 Nos. Bicycle Tubes—6,00,000 Nos. (S.E.).

LETTERS OF INTENT

Food Processing Industries

M/s Surat Distt. Co-operative & Milk Producers' Union Ltd., Gopipura Main Road, Surat. (Surat, Gujarat)—Milk Powder—180 tonnes. (N.U.).

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

M/s Hindustan Steel Products, New Delhi—Steel Wire and B. B. Steel Castings; M/s Kamani Brothers Pvt. Ltd., Bombay—Lamp Caps, Bayonet type etc., M/s The Sutlej Cotton Mills Ltd., Amritsar—Cotton Yarn; M/s Dhanalakshmi Mills Ltd., Tirpur—Cotton Yarn; M/s Edward Mills Company Ltd., Beawar—Cotton Yarn; M/s Kanyakkumari District Co-operative Spinning Mills Ltd., Aramboly P.O., Kanyakumari Distt: (Madras State)—Cotton Yarn.

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

From M/s Bharat Potteries, Calcutta—to M/s Allied Ceramics Private Limited, Calcutta.