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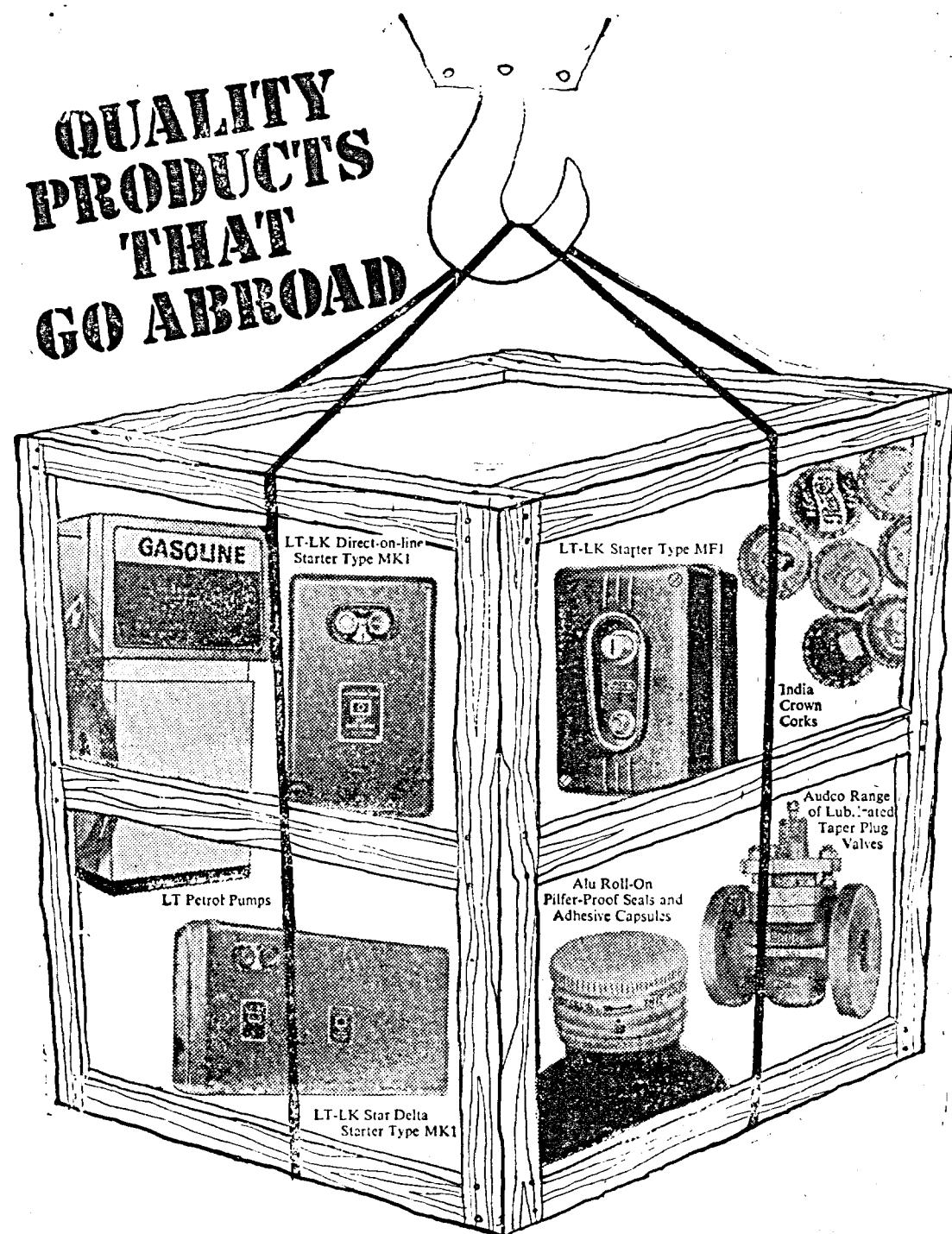
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LEST WE FORGET

We have to labour and to work and work hard, to make our dreams real. These dreams are for India, but they are also for the world, for all nations and peoples are too closely knit together today, for any one of them to imagine that it can live apart.

Jawaharlal Nehru

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GRIM FACTS FOR UNCTAD

THE second UNCTAD, now in session in New Delhi, is meeting at a time when the problems of the economic progress of the majority of mankind call for urgent, new measures. No one denies any longer the incalculable and dangerous consequences of a world divided into a rich minority increasingly separated from a majority comprising poor and stagnant masses devoid of hope. There is no doubt that the prosperity of this vast mass of people could bring substantial economic benefits to the opulent nations. Indeed the staggering poverty of the underdeveloped and developing nations has aroused the conscience of the world; and there is growing awareness of the need for a concerted global strategy in the war against underdevelopment.

It is a shocking commentary on the times in which we live that beautiful words and pontifical platitudes are the only homage paid by the advanced countries of the world to their responsibility in the task of promoting the progress and prosperity of the less fortunate countries. Even the modest targets of the 1961 UN resolution on the "Development Decade" remain unfulfilled. The resolution had called for a yearly increase of at least five per cent in the gross national product of the developing countries; which, in effect, has amounted to a bare two or three per cent. It is noteworthy that in spite of an expansion in the exports of the underdeveloped countries, the targets set for the "Development Decade" are not being met. In fact, growth rates are steadily falling behind expectations.

The developing countries, whose exports are mainly made up of primary commodities, are suffering from the price fluctuations of these commodities. In the meantime, while the prices of industrial goods have tended to increase, there has been a tendency for prices of primary commodities to decline. From 1960 onwards, there has been a steady deterioration in the developing countries' terms of trade. Also, little progress has been made towards a more rational international distribution of primary production in keeping with the interests of the developing countries.

The low-income countries are shouldering fast-growing burdens in the form of their invisible payments, for example for the shipping or the insurance services they need. Above all, the developing countries' rapidly increasing indebtedness represents a new problem of threatening proportions. By now, more and more developing countries have to pay back a third or more of every \$ 100 dollars earned or received, in order to pay for invisible services, to repay debts and to service what they have borrowed in the past. In fact, if the volume of lending and its terms remain unchanged, net lending, that is, incoming minus outgoing payments, would fall to nearly zero by 1975.

These are grim facts which the second UNCTAD will have to face squarely. They have to face the realities of the tragic situation brought about by the cruel course of history, and render assistance to those very countries which provided the resources to enable their erstwhile colonial masters to attain their present-day affluence.

The time has come to bring aid, trade and financial policies into a realistic relationship with each other. There is no room for partial remedies and half-hearted fringe measures. The situation calls for urgent, synchronised action capable of harmonising the aspirations and interests of the two halves of the world.

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"Power has to be made secure not against power, but also against weakness; for there lies the peril of its losing balance. The weak are as great a danger for the strong as quicksand for an elephant. They do not assist progress because they do not resist, they only drag down. The people who grow accustomed to wield absolute power over others are apt to forget that by so doing they generate an unseen force which some day rends that power into pieces."—Tagore

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The Prime Minister Tells UNCTAD

HERE (in India) you will find the problem which all struggling nations face, and you will see them, if I may say so, projected on a giant screen. You will see them not as statistics but in the expectant glances of our bright-eyed young people and in the anxious faces of their elders.

THERE can be no peace without erasing the harshness of the growing contrast between the rich and the poor. Unless we sense this urgency and use our energy to eradicate the economic causes which make for conflict, men and women will be impelled to revolt, and to use violent means to bring about change.

THOSE who look upon development assistance as repayable charity will inevitably miss the expected gratitude from its beneficiaries. Those who view it as investment to earn political support or to collect dividends or to promote trade will be disappointed with the meagre returns. At the same time, growing numbers in the developing countries are beginning to look upon external capital and know-how, not as aids to their own strength and achievement of economic freedom, but as bonds which increase their dependence on dominant economies.

TODAY the rich nations find it more rewarding to invest their savings

in their own security, in the advance of their technology, or even in establishing contacts with distant planets. They find it more interesting to trade amongst themselves than with the developing nations.

RESPONSIBILITY for development must primarily be shouldered by the developing nations themselves. Political domination over the process of development by nations which wield economic power is inconsistent with the provisions of the Charter to which we all subscribe. What we need is a global strategy of development, an integrated programme of international co-operation, which outlines convergent measures to be undertaken by every Member State.

REMEMBER, millions of people hopefully await your decision—the growers of jute, copra and cocoa, the miners of manganese and tin, the spinners and the weavers, to mention only a few. Their future is at stake, their own livelihood and the lives of their children, as also the capacity of their governments to provide the base for development.

THE question before the advanced nations is not whether they can afford to help the developing nations, but whether they can afford not to do so.

—Excerpts from the Inaugural Address

UNCTAD has produced considerable advance in the field of ideas for accelerating the rate of development of developing countries. The New Delhi Conference should get action under way without losing time.



Mr. Bouteflika, Foreign Minister of Algeria, presenting the Algiers Charter to U Thant, Secretary General of U.N.O. Dr. Prebisch is fourth from the left.

DEVELOPMENT DECADE SAGS DOWN WITH FRUSTRATION

INTERVIEW WITH RAUL PREBISCH,
SECRETARY GENERAL OF UNCTAD

Q. Dr. Prebisch, can I begin with a few factual questions about the beginnings of UNCTAD? This is the abbreviation for the United Nations Conference on Trade and Development held in Geneva in May 1964. But the word seems to be used in a more continuing sense. Why is this?

A. Indeed, the abbreviation of UNCTAD reflects a compromise. As you know, while the developing countries advocated the creation of an international trade organisation, the majority of developed countries were against this idea. To establish a conference every three years with a permanent Trade and Development Board and subsidiary bodies was the compromise arrived at.

Q. What led to the first UNCTAD meeting? Where did the pressure for such a meeting come from?

A. The idea of calling a trade conference originated in the '50s and the Soviet Union and other socialist countries were persistently pressing for it. Later on, developing countries followed this idea and it culminated in the first Conference. This was due to a growing consciousness that the moment had arrived for a new international trade policy geared to the needs of developing countries. As you know, the proportion of the trade of these countries in the total world trade had been deteriorating to such an extent that, while in 1950 developing countries had around 27 per cent of world trade (oil excluded), their share has now shrunk to 16 per cent. This is because of the slow growth of exports of primary products, due mainly to demand factors, because of technological developments and of policy measures interfering with the flow of exports from developing countries.

Q. Can you explain, briefly, what was achieved in terms of world economic policy by the first UNCTAD meeting?

A. Nothing important has been achieved. Really, there is as yet no world economic policy to respond to the need to accelerate the rate of development of developing countries; and this is very serious indeed, both from the economic and the political point of view. What was achieved was only the creation of this new machinery of UNCTAD, that is to say, of an adequate instrument for discussions and action—but no positive action has yet followed.

Q. What results have this new machinery produced?

A. Nothing yet in the field of action. But it has produced a considerable advance in the field of ideas. There is today a much better understanding of the nature of the problems of development and of the need for a concerted series of measures, both at the international and national level, to attack these problems. Remember that President Johnson said recently at Punta del Este, that the next decade should be a decade of urgency.

Q. What is the next step?

A. The next step is to get this action under way without losing time and this is the role of UNCTAD-II in New Delhi.

Q. Is there any agenda for the Delhi meeting?

A. Yes, there is an agenda. It is rather long, but I hope that the Conference will concentrate on those items that are mature for action in trade policy, as well as in financial policy. In trade policy, in addition to measures to facilitate the access in developed countries of traditional exports from developing countries, I hope that the Conference could agree on a preferential policy to facilitate exports of manufactures and semi-manufactures from developing countries. In this respect, I attach great importance to President Johnson's declaration at Punta del Este, according to which the United States Government would explore with other industrial countries the possibility of establishing this system for all developing countries. Given the previous attitude of the United States Government, this is very meaningful. But, as I said before, I hope that at our next Conference governments of developed countries would agree to permit entry, free of duty, of the manufactures and semi-manufactures of developing countries, with appropriate safeguard clauses to avoid disruption of their own markets.

On the other hand, the developing countries themselves ought to take measures for promoting a vigorous development of trade among themselves. This they ought to do through regional or sub-regional arrangements in the form of customs unions, free trade areas, or other forms. Furthermore, they ought to take measures to expand trade between different developing regions. The Latin American governments have already taken a very important political decision to form the Latin American common market. This is only the beginning of a very long and difficult process, and outside financial sup-

MEMBERS OF UNCTAD		
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Albania	Guatemala	Panama
Algeria	Guinea	Paraguay
Argentina	Guyana	Peru
Australia		Philippines
Austria	Haiti	Poland
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Bolivia		Korea
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Republic	Israel	Senegal
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Dahomey	Mali	U.K.
Denmark	Malta	United Rep. of
Dominican	Mauritania	Tanzania
Republic	Mexico	U.S.A.
Ecuador	Monaco	Upper Volta
El Salvador	Mongolia	Uruguay
Ethiopia	Morocco	
		Venezuela
Federal Republic	Nepal	
of Germany	Netherlands	Western Samoa
Finland	New Zealand	
France	Nicaragua	Yemen
	Niger	Yugoslavia
Gabon	Nigeria	
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Ghana		

port could be a very important element in it. Similar movements have been started in Africa and Asia with the full support of the UN Secretariat. This is of paramount importance as the developing countries own contribution to a world policy is designed to the freeing of trade. Later on, when industries in developing countries have been able to acquire a more solid basis and have increased their productivity, the developing countries should give impetus to a policy of reducing their tariffs vis-a-vis the developed countries. For that purpose it is necessary, first, to develop their exports of manufactures to developed countries and, secondly, among themselves.

Q. At the beginning of the 1960s the United Nations Development Decade held out hopes for the growing prosperity of the developing countries. How do these hopes look now, more than half way through the decade?

A. Well, very poor hopes. Let us be frank about this. The Development Decade appears more and more as a decade of frustration from the point of view of the poorer countries and one of disillusion and scepticism on the part of the industrialised ones. The very modest rate of growth of 5 per cent per annum envisaged for the developing countries when the General Assembly of the UN formulated the aims of the Development Decade, has not been fulfilled.

Q. Can you explain what has gone wrong?

A. Many things have gone wrong, both in the developed and the developing countries. First of all, in relation to trade policy, no important measures have been taken by the developed countries to improve access for goods from developing countries in order to counteract the tendency of the developing countries' exports to grow slowly. On the contrary, measures have been taken which have rather accentuated the sluggishness of their growth. In the financial field, the target laid down—namely that the developed countries should transfer financial resources amounting to 1 per cent of their GNP—is far from being fulfilled. In fact, this proportion was around 0.87 per cent in 1961; in 1964 it was down to 0.66 per cent—though the developed countries' GNP continued to grow. Yet, as Mr Woods, President of the World Bank, has stated, the developing countries could, productively absorb three or four billion dollars more each year than the amount currently being transferred to them.

But that is not all. The burden of debt servicing has been growing in a very impressive way. In Latin America alone, the servicing burden in recent years has been equivalent to the new flow of resources, so that the net result is nil. In other developing regions of the world, within a few years, we may face the same situation if present trends are not corrected.

From the point of view of the developing countries, a vigorous policy of development has been followed with encouraging results in a few cases only. The introduction of modern technology, in order to accelerate the rate of development, encounters considerable obstacles within the prevailing economic, social and administrative structures. All this calls for fundamental change in structures and attitudes. The shortcomings of policies are most obvious in the case of agriculture. It has been lagging behind in many countries. It is of the utmost urgency to increase productivity on the land. To achieve this, land reforms are as essential as are enlightened policies on behalf of the governments in question. But let us not fall into the common mistake of believing that this implies less emphasis on industrialisation. On the contrary, the more agricultural productivity increases, the greater the need to accelerate the pace of industrial development, if for nothing else than in order to contribute effectively to the absorption of manpower released from the land. Important as it is, it is obvious that the problem of food production

cannot be considered in isolation, but rather as an integral part of the process of development and the need to accelerate it. I am much concerned about the scarce attention that is being given to this fact. Take the case of Latin America. Industry has absorbed only 10 per cent of the increment of the labour force between 1950 and 1960 and, even worse, only 7.5 per cent of the increment in 1965. This obviously inadequate absorption of the increment of the labour force in the modern sectors of the economy is a highly explosive phenomenon and it should be confronted by a proper combination of national and international measures.

Q. What would you like to see done to put things right by the richer nations?

A. I would like to see a real policy of development and co-operation with convergent measures taken both by the developed and the developing countries. The richer nations should formulate a new trade policy, they should increase the volume of their transfers of financial resources and improve their terms. Simultaneously, these transfers should be geared to adequate development plans in the developing countries, to plans with clear economic and social objectives.

Q. What do you think the poorer countries should be doing themselves?

A. I have just answered this question in part by saying that the poorer countries should formulate suitable development plans as a basis for receiving financial co-operation. But beyond their development plans, the developing countries, as I said before, should also take positive measures to increase trade among themselves. The trade gap of developing countries could not be filled only through the increase in their exports to developed countries, but through the increase in trade among themselves as well.

Q. Looking at your fellow countrymen in Latin America, what do you regard as the main economic obstacle to development?

A. There is no main economic obstacle. There are a series of obstacles, both external and internal. That is why I insist on the need for concerted action.

Q. In a recent speech you spoke of the need to differentiate among the developing countries and to put forward special measures to help the 'least developed'. How may Latin American countries come within this category?

A. Indeed, there are very wide differences among developing countries and it is necessary to adapt measures accordingly. This is true for all three of the developing regions of the world. In Latin America, I would say that Ecuador, Paraguay, Bolivia, as well as Central America and the Caribbean islands, are in this category. But even within this category there are important differences.

Q. What role do you see FAO playing in tackling the problem of the world food shortage?

A. A role of considerable importance. Dr. Sen, the Director General of FAO (since retired—Ed.), has been insistently calling the attention of the world to the

food problem and his Secretariat is very actively formulating an Indicative World Plan destined to measure the magnitude of the food deficit in developing countries as a basis for action. I consider this of paramount importance.

Q. Both UNCTAD and GATT are international bodies concerned with trade. How do you see their relationship developing?

A. I have called attention to some overlapping and duplication in the work of two organisations. The Director-General of GATT, as well as myself, is well aware of this. Recently, when the successful Kennedy Round released Mr Wyndham White from his tremendous pressure of work, accompanied by colleagues from our respective organisations, we have had discussions on this problem. We have agreed to form a small group of officials from the two institutions to make a very close and thorough review of the areas of existing and possible duplication. They will present to us suggestions for correcting this situation. I have expressed my willingness either to co-ordinate or combine our efforts or to undertake joint activities in order to avoid overlapping and duplication. I hope that we can achieve positive results and present to our Member Governments some practical solutions.

Q. You have recently co-operated with the World Bank on a study of suppliers' credits. Do you envisage closer co-operation with existing international financial organisations, on questions of aid and debt repayments?

A. Indeed, we are very grateful to the World Bank, as well as to the International Monetary Fund, for their co-operation with UNCTAD.

As you know, the Bank has presented to UNCTAD a very important proposal on supplementary financing and has sent us its study on suppliers' credit. In this and other facilities, the co-operation of the Bank is very useful to us, not only by supplying reports and information, but by assisting us in the meetings of our Governments and our experts. The same can be said about the Fund, especially in relation to monetary reform and compensatory finance. Recently, the Representative of the Fund made some encouraging remarks as to the Fund's interest in finding practical solutions to the problem of financing buffer stocks. As you know, this has been one of the obstacles that we have encountered in our discussions on an eventual Cocoa Agreement.

Q. Do you consider the role of UNCTAD more as a forum for ideas or as an action body? If the latter, what do you consider to be the most fruitful process for obtaining results?

A. Both. UNCTAD should be a forum for ideas as well as an action body. You cannot undertake practical action without thinking before and, in this sense, we have often seen how ideas that had been considered Utopian have later acquired practical form, ready to be translated into action. This is the case, for instance, with preferences and supplementary finance. Let me remind you that, in Latin America—the region I know best—ideas put forward in the early '50s by the Economic Commission for Latin America (CEPAL) were received at the beginning

with enormous resistance. A few years later we were one of the main supports in the formulation of President Kennedy's new policy of co-operation with that continent.

Q. Finally, what are the prospects for UNCTAD in the next five years?

A. This will largely depend on the results of the New Delhi Conference. If we get practical action on the important matters that I have mentioned, this would provide solid bases for the future of UNCTAD. In fact, I hope that even before the Conference we may arrive at a satisfactory agreement on cocoa and, perhaps, also on sugar—though here the problem is much more difficult.

But beyond these concrete issues, I consider that UNCTAD should undertake a periodic review of what is being done by both the developed and the developing countries in the field of trade and development. This would seem to me to be the best way to keep close to changing facts as well as to stimulate a sense of joint responsibility in furthering the solution of the problems of development—problems, the economic, social and political importance of which could scarcely be exaggerated.

—Reproduced by courtesy of
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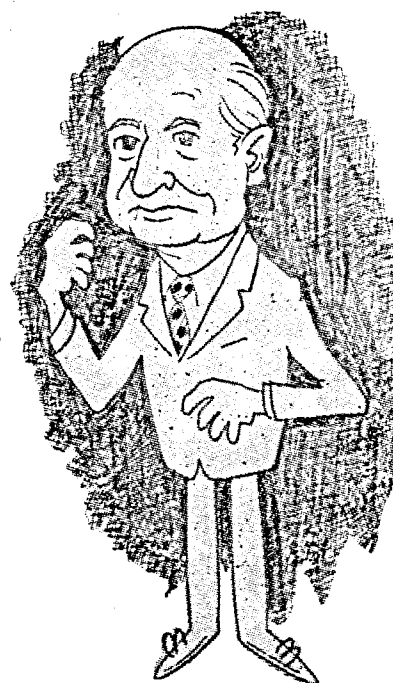
The Problems

The Second UNCTAD will, among other things, discuss the following main categories of problems:

1. Trends and problems in world trade and development.
2. Commodity problems and policies.
3. Expansion and diversification of exports of manufactures and semi-manufactures of developing countries.
4. Growth, development finance and aid (synchronisation of international and national policies.)
5. Problems of developing countries in regard to invisibles including shipping.
6. Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries including regional, sub-regional and inter-regional arrangements.
7. Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their economic and social development.
8. General review of the work of UNCTAD.

Dr. Raul Prebisch

THE high-priest of UNCTAD is a distinguished economist from Argentina, Raul Prebisch, the Organisation's Secretary-General. Dr Prebisch, who will be 67 in April, was appointed to this post by the UN Secretary-General in January 1963, fourteen months before the first Conference on Trade and Development was held at Geneva. When UNCTAD was set up as a permanent organ of the United Nations, Dr Prebisch's appointment was confirmed by the Secretary-General



and the U.N. General Assembly on February 8, 1965.

Dr Prebisch graduated from the University of Buenos Aires in 1923, with a degree in economics. He returned to his alma mater two years later as Professor of Political Economy and continued to hold the post until 1948.

From 1925 to 1927, he was Deputy Director of the Department of Statistics in Argentina and, from 1927 to 1930, Director of Economic Research for the National Bank of Argentina. He was Under-Secretary of Finance from 1930 to 1932, and served from 1933 to 1935 as

Adviser to the Ministers of Finance and Agriculture.

Dr Prebisch organised the Central Bank of Argentina, and was its Director-General from 1935 to 1943.

Dr Prebisch's association with the World Organisation began in 1950, when he was appointed Executive Secretary of the U.N. Economic Commission for Latin America; and held the post for the next 13 years. In 1955, he was appointed to his former post in the University of Buenos Aires on an honorary basis.

From May 1962 until January 1963, Dr Prebisch was Director-General of the Latin American Institute for Economic and Social Planning, at Santiago (Chile).

Half the World's Newspaper

STRETCHING from the Atlantic to the Pacific in a vast unbroken belt 1,000 miles wide are Canada's famous forestlands. Containing a million square miles of productive wood-producing land, it is from this scenic wilderness source that half the world's supply of vital newspaper comes. The raw material—spruce, balsam, fir, jack pine, hemlock and poplar—for Canada's gigantic pulp and paper industry, grows tall and silent until harvested at maturity.

Canada's giant pulp and paper industry can look ahead to an assured future expansion. Around the world millions more of people becoming literate every year are sending the demand for newspapers soaring. As highly-populated, developing nations increase their educational facilities and become more affluent, newspapers serving these new knowledge-hungry masses will not only find the need for expanding their circulations but for increasing the number of pages contained in their publications. For Canada, which supplies more than half the world's requirements of newsprint, the education of sizeable segments of the earth's illiterate population, about half the total—means that the renewable resources of vast forestlands, used as the raw

material for making newsprint, have a vital part to play in the present surge of international development. In addition, the already industrialised countries of the world are demanding greater amounts of other paper products to meet the daily commercial needs of their own increasing populations and industrial expansion.

With all factors indicating that the demand for pulp and paper will double in the next 10 years and continue growing faster, Canada's investment in this gigantic industry has already soared to about 5,000,000,000 dollars and is expected to keep rising fast.

87 = 77

The hard-headed economists from the developing countries attending UNCTAD in New Delhi seem to have a superstitious streak. At one time they called themselves the developing "66"; at Algiers last year it became "77"; the membership has gone up to 87, but the economists do not want their label to be changed. Reason: it must always be a multiple of 11; and so to hell with arithmetic!



IGNORAMAN

Wants to Know

If UNCTAD is
a Conference on
Trading in Development

Nations of the World Look to New Delhi

The Biggest
International
Meet on
Trade and
Development

Picture : T. S. Nagarajan

The eyes of the economic world are now set on New Delhi where UNCTAD-II is being held. About 2,500 delegates from 132 member countries are participating in the session.

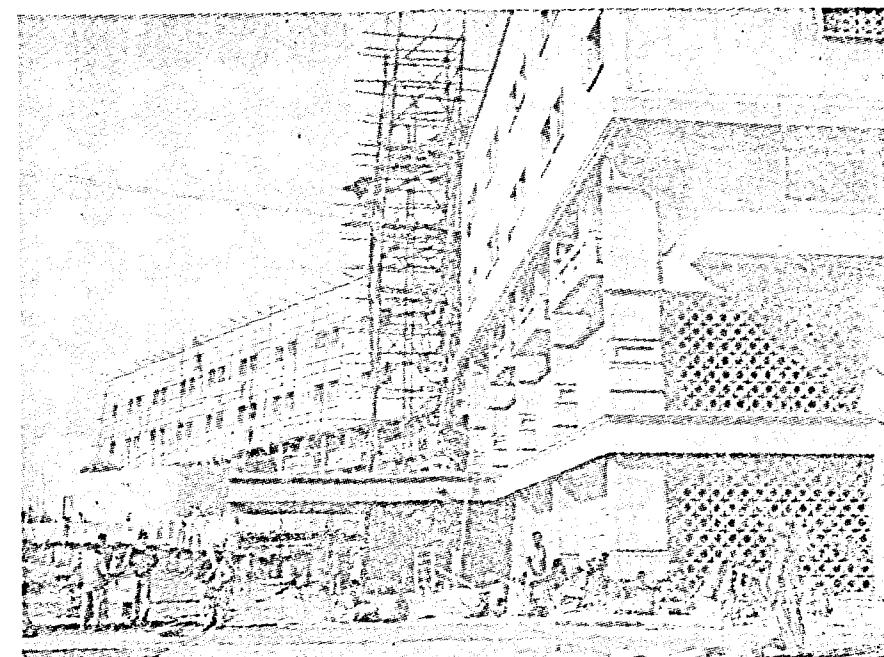
The conference began on February 1 and will continue up to March 25, as scheduled under the resolution of the General Assembly of the United Nations Organisation.

The United Nations expects that this second session "would provide a forum for the further examination of major issues of trade and development including the consideration of the further action for the implementation of the recommendations adopted at the first session".

The venue is the imposing Vigyan Bhavan which was specially built on the occasion of the UNESCO Conference in 1956, the first international conference to be held in India. Since then India has played host to several international meets. UNCTAD-II is so far the biggest.

This article, introducing UNCTAD, tells the why and how of the organisation and lists the issues before the current session.

K. S. MEHRA



Extension of Ashoka Hotel in New Delhi, specially built for UNCTAD-II

UNCTAD stands for the United Nations Conference on Trade and Development. It is a forum of nations for finding solutions to the international problems of trade and economic development. It has been created under the U.N. Charter.

After the second world war, the nations of the world realised the necessity of peaceful co-existence and joined together to set up the United Nations Organisation to solve international problems by mutual discussion and co-operation. The U.N.O. created various agencies like the United Nations' Educational, Scientific and Cultural Organisation (UNESCO), the Food and Agricultural Organisation (FAO) and the World Health Organisation (WHO), to work in specific respective fields. UNCTAD came into being for dealing with the problems of trade and economic development, specially of the less developed countries.

The Preamble to the U. N. Charter stressed the determination "to promote social progress and better standards of life in larger freedom," and to this end "to employ international machinery for the promotion of economic and social advancement of all peoples". The U.N. Economic and Social Council (ECOSOC) passed a resolu-

tion in 1946, calling for an international conference on trade and employment, and a preparatory committee was appointed for the purpose. Following the deliberations of this committee, a Charter was adopted at Havana in 1948.

Of the four main international agreements aimed at normalising the post-war economy, three, namely the International Monetary Fund, the International Bank for Reconstruction and Development, and the United Nations Food and Agricultural Organisation were ratified and brought into force. The fourth agreement, the Havana Charter for the establishment of an international trade organisation, could not be implemented, as the President of the U.S.A. decided not to submit the Charter to the Congress for ratification. But, while the Havana Charter was being negotiated, tariff negotiations for a multilateral trade agreement had been initiated and they resulted in the signing of the General Agreement on Tariffs and Trade, popularly known as GATT.

FAILURE OF GATT

GATT came into force in January 1948. It is a multilateral treaty embodying reciprocal rights and obligations to achieve the objectives

set out in the Preamble to the Agreement. The signatories agreed that "their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods and promoting the progressive development of the economies of all the contracting parties". The detailed undertakings set out in the GATT agreement, together with the body of case law built up by the contracting parties, constitute a general code of conduct covering virtually the whole field of commercial relations between member countries.

Several amendments were made to the agreement when it was reviewed in 1954-55, partially in search for solutions to the trade and economic problems of the less developed countries. The increasing urgency of these problems was underlined in the Haberler Report commissioned by the GATT, and was recognised by Trade Ministers at their meetings held in 1957 and 1958. In the programme for trade expansion drawn by the contracting

parties immediately after the 1958 meeting, an important place was given to the consideration of these problems. One of the committees appointed by GATT concerned itself with the question of achieving an expansion in the export earnings of less developed countries. The special report of this committee was considered at the GATT meeting in 1961. The most significant outcome of this meeting was the Declaration on Promotion of Trade for less developed countries. The member countries agreed that their Governments would observe the guiding principles embodied in the Declaration to the extent possible so that obstacles to the flow of exports from less developed countries could be reduced in the near future.

However, the rules and principles adopted at Havana and subsequently incorporated for GATT are based on an abstract notion of economic homogeneity which conceals the greater structural differences between industrial centres and peripheral countries with all their important implications. The emphasis is on full employment and larger and steadily growing volume of real income and effective demand, rather than on development. On account of their adverse balance of payments position, developing countries are not in a position to grant *quid-pro-quo* in return for tariff concessions from the developed countries. Moreover, experience has shown that the General Agreement has been observed more in exceptions than in its rule. As a result, GATT has failed to create a new order to meet the needs of development.

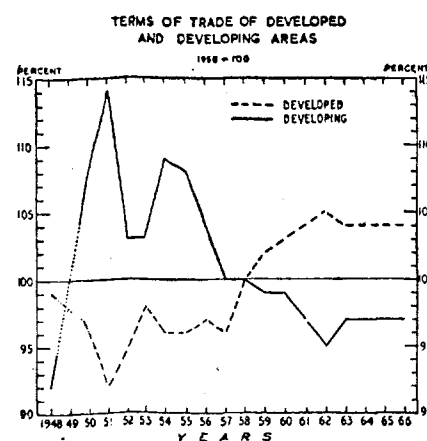
UNCTAD IS BORN

In December 1961, the General Assembly of the United Nations designated the current decade as the U.N. Development Decade. It also asked the Secretary General to consult the members on the advisability of convening an international conference on international trade problems. The Cairo Conference on the Problems of Economic Development held in July 1962 issued a Declaration strongly recommending the early convening of such a conference.

Pursuant to this, in July 1963 the U.N. Economic and Social Council (ECOSOC) passed a resolution to convene a United Nations Conference on Trade and Development (UNCTAD). It also set up a preparatory committee to consider the agenda and documentation for the conference, with particular reference to the problems of the developing countries.

The need for the conference arose from the fact that exports from developing countries had been slow to grow. Whereas between 1950 and 1962 the value of the exports from the developed economies rose by 150 per cent, and those from the centrally planned economies by 250 per cent, the value of exports from the developing countries increased by only 50 per cent.

The difficulties of the developing countries were aggravated by the deterioration in their terms of trade during the period 1950-62. The slower growth of exports and the adverse movement of the terms of trade were largely due to the commodities of their trade which consists predominantly of exporting the primary products and importing manufactured goods.



The deterioration in terms of trade and the sluggish expansion of the exports have occurred in the case of developing countries at a time when their need for imported supplies was greater to speed up the pace of their economic development. As a consequence, their trade balance worsened steadily. In

1950 the developing countries enjoyed a surplus of exports over imports to the extent of \$ 1.8 billion, while in 1962 there was a deficit amounting to \$ 2.3 billion.

In order to meet the huge trade deficit, the developing countries have been depending on assistance from the developed countries. This assistance has been increasing from year to year. According to an OECD study published in 1964, the total flow of aid from industrial countries, including the Sino-Soviet countries, to the less developed countries amounted to about \$ 9.0 billion in 1963, rising from \$ 7.00 billion in 1959.

In addition to the trade deficits, the developing countries have been making huge payments for servicing the debts incurred by them. In 1962 the total debt service burden of these countries was \$ 3.00 billion, equivalent to 10 per cent of the export receipts in 1962. Besides, in view of the rising prices of goods imported by these countries, the real content of the foreign aid they receive is much less than is apparent from the figures of aid.

DIRECTIVE PRINCIPLES

It is against this background that the first UNCTAD was held in Geneva in 1964 from March 23 to June 16. Representatives of 120 countries, including the socialist countries of Eastern Europe, participated in the conference and there were observers from 13 specialised agencies and 34 non-Governmental organisations. The conference afforded an opportunity for a comprehensive appraisal of current world problems in the field of trade and development and for an exchange of views among the participants, specially from the point of view of the developing countries.

The conference considered various ways to raise the external resources of the developing countries, so that their trade gap could be bridged. It set up five committees to deal respectively with primary commodities, manufactured and semi-manufactured products, development finance and questions related to shipping and insurance, institutional matters, and principles

of international trade. It adopted most of the recommendations suggested by the committees, some unanimously but several with varying degrees of support. The recommendations referred to a permanent machinery to be established, and the substantive issues to be included in the proposed Trade and Development Board's programme of work, and set forth a number of general and special principles to govern international trade relations and trade policies conducive to development. Some of the important principles are :

- Economic development and social progress should be the common concern of the whole international community and should, by increasing economic prosperity and well-being, help strengthen peaceful relation and co-operation among nations.
- National and international economic policies should be directed towards the attainment of an international division of labour in harmony with the needs and interests of developing countries in particular, and of the world as a whole.
- The expansion and diversification of international trade depends upon increasing access to markets and upon remunerative prices for the exports of primary products. Developed countries shall progressively reduce and eliminate barriers and other restrictions that hinder trade and consumption of products from developing countries and take positive measures such as will create and increase markets for the exports of developing countries.
- Developed countries should grant concessions to all developing countries and extend to developing countries all concessions they grant to one another and should not, in granting these or other concessions, require any concessions in return from developing countries. New preferential concessions, both tariff and non-tariff, should be made to developing countries as a whole and such preference should not be extended to developed countries.

- International institutions and developed countries should provide an increasing net flow of international, financial, technical and economic assistance to support and reinforce, by supplementing the export earnings of developing countries, the efforts made by them to accelerate their economic growth through diversification, industrialisation and increase of productivity on the basis of their national policies, plans and programmes of economic development. Such assistance should not be subject to any political or military condition.

In pursuance of the recommendations in regard to the permanent machinery to be established, it has been decided to hold a periodic session of UNCTAD, normally every three years. Its primary function would be to formulate the principles and policies of international trade, specially with a view to accelerating the economic development of the developing countries. The Trade and Development Board has been established to act as a policy-making body when the Conference is not in session.

THE GROUP OF 77

An outstanding feature of the first UNCTAD was the emergence of 'the group of 77' developing countries determined to end the division of the world into areas of affluence and poverty through the evolution of international cooperation in the field of trade and development. At the conclusion of the Conference, the 77 developing countries issued a joint Declaration in which UNCTAD was recognised as a significant step towards creating a new and just world economic order. It said that the final recommendations of the Conference were only an initial step and that considerable progress was required to be made in all the major fields of economic development. There was not adequate appreciation of the 'trade gap' of developing countries, and only the most limited approaches had been made regarding trade in primary commodities and preferences for exports of manufactures. Nevertheless, the

developing countries accepted the resolutions of the first Conference "in recognition of the need for a co-operative effort in the international field".

As for the implementation of recommendations of the Conference, for improving trade relations and economic conditions of developing countries the situation has been far from satisfactory, although a few unilateral measures have been taken by some developed countries. The report presented by the Secretary-General, Dr. Raul Prebisch, to the fifth meeting of the Trade and Development Board in Geneva in August 1967, reveals that even the recommendations unanimously adopted at the Conference have not been implemented. In the field of manufactured and semi-manufactured commodities, the situation is of practically unmitigated stagnation and even retrogression. The progress in respect of removal of tariff and non-tariff barriers has been disappointingly lacking. On the other hand, inspite of the UNCTAD recommendation, some new tariff barriers have recently been raised for the developing countries. As regards the targeted rate of growth of 5 per cent a year during the Development Decade, the rate of growth of most developing countries had actually come down from an average of 4.7 per cent in the 50s to 4 per cent in the early 60s. Considering the increase in the population of these countries, the increase in per capita income has been negligible. As regards the flow of foreign aid, inspite of the unanimously agreed target of 1 per cent of national income of developed countries to be provided to developing countries, the flow of aid, which amounted to 0.87 per cent of gross national product of developed countries in 1961, fell to 0.62 per cent in 1966. Thus, as pointed out by the Secretary-General's report, no one is any longer in doubt that the so-called United Nations Development Decade may turn out to be a decade of frustration.

However, with the establishment of UNCTAD in 1964 and the dialogue which took place within it since then, the stage has been set for a new and dynamic trade and development policy. What is needed

is the plan of practical action. This action is expected to issue from the second session.

FOR UNCTAD-II

Preparations for the second session began in December 1966 when, in pursuance of the recommendation of UNCTAD-I that the Conference should meet every three years, the United Nations General Assembly passed a resolution recommending the convening of UNCTAD-II at New Delhi from February 1 to March 25, 1968. The resolution expects that the second session "would provide a forum for the further examination of major issues of trade and development including the consideration of further action for the implementation of the recommendations adopted at the first session".

Subsequently, the fifth session of the Trade and Development Board held in Geneva last year concerned itself mainly with the preparation for the second session.

The Board laid down the following objectives for the second session :

- (i) To evaluate once more the economic situation and its implications in the implementation of the recommendations;
- (ii) To achieve, through suitable negotiation procedures, specific results likely to ensure real progress in international co-operation for development; and
- (iii) To explore and investigate matters which require more thorough study before agreement can be reached.

A provisional agenda was approved by the Board. Five committees would be set up to deal with commodities, manufactures and semi-manufactures, financing, invisibles and shipping, and general questions like principles of international trade and East-West trade. In addition, working parties would be constituted.

ALGIERS MEET

Later, the developing countries in the ECAFE region met at Bangkok in September 1967 and

unanimously adopted a declaration. The declaration chartered for UNCTAD-II to thrash out specific issues and problems in the field of primary commodities trade, manufactures and semi-manufactures, financing and invisibles including shipping, and trade expansion and regional economic co-operation and integration. A similar charter was formulated by the Latin American countries at the fourth meeting of the *ad hoc* Committee on Latin American Co-ordination which met at Bogota the same month. African countries met at Algiers for the same purpose.

Subsequently, representatives of the 77 developing countries assembled at Algiers in October last to consider these regional declarations and charters. They decided to draw a common course of action based on these regional charters. They also reviewed the work of the international community for economic progress since the adoption of Joint Declaration of the 77 at the conclusion of UNCTAD-I. They noted that the rate of economic growth of the developing countries had slowed down and the disparity between them and the affluent countries was widening. The share of the developing countries in total world exports had declined from 27 per cent in 1963 to only 19.3 per cent in 1966. While the exports of manufactures from industrial countries increased between 1963-64 and 1965-66 by 65 billion dollars and from socialist countries by 10 billion dollars, the increase from developing countries amounted to only 3 billion dollars. As for the indebtedness of the developing countries, the external public debts alone had increased from 10 billion dollars in 1955 to 40 billion dollars in 1966. The servicing of these debts might offset the entire transfer of resources before the end of this decade, if present trends continued.

The Algiers meeting felt that "the international community has an obligation to rectify these unfavourable trends and to create conditions under which all nations can enjoy economic and social well-being, and have the means to develop their respective resources to enable their peoples to lead a life free from want and fear."

The programme of action suggested by the Algiers meeting includes the following measures : (1) Commodity agreements should be concluded at the earliest possible date for some specific commodities and on an urgent basis for certain other commodities. (2) No new tariff and non-tariff restrictions should be introduced by developed countries and those introduced since UNCTAD-I should be eliminated by December 31, 1968. (3) Objective criteria should be applied under a multilateral institutional arrangement for identifying situations on which restrictions are applied by virtue of safeguard of clauses. (4) Unilateral application of restrictions should be avoided. (5) The diversification of production of manufactures and semi-manufactures of developing countries should be carried on within the framework of a new and more equitable international division of labour between developing and developed countries.

Specific principles were adopted in order to implement a general system of preferences in exports of manufactures and semi-manufactures. Measures for liberalisation of trade in such items were detailed. Particular concessions required from socialist countries were listed. Steps for trade promotion were considered.

Finally, the Algiers meeting urged that every developed country should comply with the target of minimum 1 per cent of its gross national product for net financial flows, in terms of actual disbursements, by the end of the present decade. Any gaps remaining in the 1 per cent transfer every year should be made good by additional transfers. No developed country should decrease the existing level of their aid to developing countries.

The Second UNCTAD currently in session in New Delhi is expected to deliberate on these issues and formulate a global strategy for development and international co-operation. It will make a fresh evaluation of the world's economic situation, begin negotiations on certain questions ripe for action and consider how to approach constructively the problems of a long-term character.

Unctad's Role In Reducing Inequality Between Nations

BABUBHAI M. CHINAI

Disparity between affluent and developing nations is rapidly widening.

Very few developing countries have exceeded the minimum objective of 5 per cent growth rate fixed for the Development Decade. UNCTAD II must pay the greatest attention to negotiations for removing tariff and non-tariff barriers by the developed countries in respect of manufactures and semi-manufactures from the developing countries.

THE first United Nations Conference on Trade and Development, which was held in Geneva in 1964, was, in fact, the second World Trade Conference, the first having been held in Havana in 1947-48. UNCTAD II, will therefore, be the third. In the case of the previous two conferences the experience of events that preceded them influenced the deliberations. So also would it now.

The deliberations of the Havana conference represented, as it were, the reaction to the commercial policies, particularly of the inter-war period, which brought about a contraction of world trade. Consequently, the accent of the Havana Charter was on freeing world trade rather than on building up economic activity.

By the time the second world conference was held, there were significant developments, both in the political and economic affairs of the world. A number of erstwhile colonies emerged as sovereign national entities. The General Agreement on Tariffs and Trade was in operation for nearly fifteen years by then. The developing countries realised that the GATT principles were relevant more to the developed market economies and not to the conditions prevailing in their own countries. It was rightly felt that the GATT Rules and Principles neither comprehended

the great structural differences in the economies of developed and developing countries, nor did they place sufficient emphasis on development aspect.

Thus UNCTAD I gave the international community the first opportunity after the Havana Conference to take note of the changed situation and to express the legitimate demands as well as the aspirations of the developing countries. A number of Principles—General and Special—were adopted and these, as contrasted with the objective of the Havana Charter and GATT of full employment and growth of effective demands, placed greater stress on economic development and social progress of the developing countries. Particular mention needs to be made of General Principles 4, 7 and 11.

General Principle 4 underscores the fact that economic development and social progress should be the

common concern of the whole international community, and, in particular, help promote in the developing countries a rate of growth consistent with the need to bring about substantial and steady increase in average income in order to narrow the gap between the standards of living in the developing countries and those in the developed countries.

On the other hand, General Principle 7 emphasises that the developed countries shall progressively reduce and eliminate barriers and other restrictions that hinder trade and consumption of products from the developing countries and also take positive measures such as will create and increase markets for the exports of the developing countries.

General Principle 11 pinpoints the action to be taken by international institutions and developed countries towards increasing the net flow of financial, technical, and

economic assistance to support and reinforce the efforts made by the developing countries to accelerate their economic growth through diversification, industrialisation and increase of productivity on the basis of their national policies, plans and programmes of economic development.

Disparities Increase, Debts Mount

Naturally, UNCTAD II must mainly concern itself with the question whether, and to what extent, the various principles have been implemented. While so doing, it is necessary to bear in mind some data.

Firstly, the economic disparity between less developed and affluent nations is widening rapidly. The annual growth rate of per capita income is about \$ 60 in the case of industrial countries whereas that of the developing nations is less than \$ 2. The share of the developing countries in the total world exports declined from 27 per cent in 1953 to 19.3 per cent in 1966. The purchasing power of exports has been steadily rising in favour of manufactured products supplied by industrial countries while the losses in the purchasing power of primary products exported by developing countries amount to about \$ 2.5 billion per annum, which is roughly half of the external public financial resources received by them. Added to this is the problem of increasing indebtedness of developing nations. The external public debt alone was about \$ 40 billion in 1966, registering thereby a fourfold increase over what it was in 1955. The debt service payments increased from an annual amount of \$ 0.5 billion in mid-1950s to about \$ 4 billion per annum now.

Secondly, very few developing countries have managed to exceed the minimum growth of 5 per cent per annum which was set out as a major objective of the Developing Decade. Nor has there been any substantial progress in fulfilling the objective that developed countries should contribute a minimum of one per cent of their gross national product towards the economic welfare of the developing world.

Thirdly, although there has been the activity of the UNCTAD in the

field of international commodities arrangements, much headway has not been made in the operation and financing of buffer stocks, or in evolving basic principles and guidelines for pricing policies which will maximise receipts from the exports of primary commodities.

Fourthly, with regard to reduction of tariff barriers, while there has been progressive removal of barriers affecting trade among the countries having developed market economies on a preferential basis, specially within the European Economic Community and the European Free Trade Area, they have generally lessened the competitive ability of the developing countries. According to one estimate, approximately two-fifths of the trade in manufactures and semi-manufactures among the countries having developed market economies at present receive preferential tariff.

Fifthly, the Kennedy Round negotiations have primarily resulted in reduction in the tariffs on items of trade between developed countries.

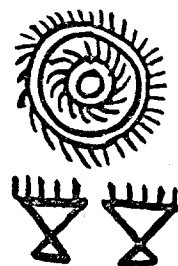
Adequate Growth of Developing Countries

Thus the picture of economic growth, either in the field of external trade or industrial advancement, is none too satisfactory for the developing nations as a whole. The major factors at work behind such depressing trends are too well-known. Developing countries depend largely on the export earnings of a few primary products for which international demand is fairly elastic. Synthetics and substitutes as well as rising incomes in the industrial nations have a discouraging effect on world trade for these products. Export diversification by the developing countries in the field of semi-manufactures is also limited; inferior technology and insufficient investible funds are circumscribing factors. There is also the problem of resistance by developed markets to give access to their markets. The result is that export earnings are far too small compared to the total foreign exchange requirements, the gap in external payments being made good by borrowings and the evils thereof.

Therefore UNCTAD II must

concentrate on all these issues. The matter of supplementary negotiations for the removal of tariff and non-tariff barriers by the developed countries in respect of manufactured and semi-manufactured goods from the developing countries must receive the greatest attention. The socialist countries too should be requested to indicate as to how they will increase the consumption of manufactures and semi-manufactures of the developing countries within their own economies and how their internal taxes will be adjusted or reduced. UNCTAD deliberations must cover the question of the adequacy of growth of developing countries and in what manner the lag in the growth rate and the new target to be set will be made good.

As to how best the areas of co-operation already identified can be translated into action will depend upon the seriousness with which the international community would act at UNCTAD II. In a world of increasing inter-dependence, peace, progress and freedom are common and indivisible. Therefore the progress that could be achieved by the developing nations through the good offices of UNCTAD will benefit the developed countries as well. It is of fundamental importance to recognise that glaring inequality between the rich and the poor nations should be eliminated, or at least vastly reduced so as to be brought within the limits of tolerance. However, efforts in this behalf cannot be left to the play of spontaneous economic forces. It is here that an international forum like the UNCTAD has a vital role to play in organising international efforts so as to transcend national outlooks. At the same time, the aspect of self-help is of equal significance. And the inspiration towards self-help can be sparked off by the international community taking a sympathetic and responsive attitude.



Call For Understanding And Patient Negotiations

EAST, WEST AND THE THIRD WORLD

should help maintain

INTEGRATED PERSONALITY

H. VENKATASUBBIAH

THE HOLDING OF UNCTAD-II IN NEW DELHI IS A TRIBUTE TO INDIA'S INTERNATIONALISM.

THE INTERNATIONAL GREAT DIVIDE IS REALLY BETWEEN THE DEVELOPED NORTH AND THE UNDEVELOPED SOUTH OF THE GLOBE AND NOT BETWEEN THE EAST AND THE WEST. TO BRIDGE THIS GULF, COUNTRIES SHOULD PROMOTE A COMMON APPROACH BETWEEN WESTERN EUROPE AND NORTH AMERICA ON THE ONE HAND AND THE COMMUNIST COUNTRIES OF EUROPE ON THE OTHER.

THE WILLINGNESS OF EAST EUROPE TO BUY MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES HAS MADE THEM EAGER TO EXPAND THEIR TRADE WITH THE BLOC.

TARIFFS DO NOT PLAY THE SAME ROLE IN THE TRADE OF COMMUNIST COUNTRIES AS THEY DO IN FREE MARKET ECONOMIES.

THE ULTIMATE AIM MUST BE TO PROVIDE DEVELOPING COUNTRIES WITH THEIR OWN FUNDS, IN PLACE OF AID, FOR THEIR DEVELOPMENT.

To India an UNCTAD meet so early in the career of that international body must be specially gratifying. Jawaharlal Nehru's steadfast support to the United Nations sprang from his conviction that in this unequal world only universality such as the U.N. embodied could ensure anything like equality of opportunity between the big and the small, the rich and the poor, and the strong and the weak among nations. It also led him to disfavour political and economic blocs or regional arrangements that tend to weaken the universalist basis of international organisation. By its membership (even without the People's Republic of China) and its global approach UNCTAD embodies beliefs Nehru cherished, and its very second conference being held in India is in a way an appropriate tribute to his internationalism.

UNCTAD represents the completeness of international organisation in another sense as well. What the World Bank and the International Monetary Fund are concerned with—stability of currencies and aid for development—are in the last resort consequences of trade flows. Yet for nearly twenty years after these two world bodies were born, there was no comparable organisation for tackling trade problems.

The attempts made in the last forties through the Havana Charter for an International Trade Organisation virtually came to nothing. The GATT which ensued was no substitute. It lacked the basic attributes of universality of membership and comprehensiveness of approach. Keynes was as frustrated at the time with the void as Raul Prebisch is today with the Development Decade. In his biography of Keynes, Sir Roy Harrod has narrated how Keynes implied a balance between the Bretton Woods Twins and the proposed International Trade Organisation as essential for a "rounded whole policy".

UNCTAD is an improvement on the still-born

ITO, the GATT and all. It is concerned with trade liberalisation not only as a means to maintaining full employment and effective demand, thereby avoiding periodical slumps, currency devaluations and like phenomena, but to promoting more positively the economic development of the underdeveloped areas of the world. However, it is one thing to establish an organisation; a different thing to make it work. In his statement to the Trade and Development Board (UNCTAD's permanent directing organ) in August last year Secretary-General Raul Prebisch was quite scathing. He said: "Since the early fifties a great deal has been written and said, and recommendations have proliferated at both the international and national levels, on the subject of economic development. For all that, the economic growth rate of the developing countries has been declining from one five-year period to the next, and in the last few years has averaged barely more than 4 per cent. No one is any longer in doubt that the so-called United Nations Development Decade may turn out to be a decade of frustration." At a Press Conference he held at the U.N. Headquarters on January 18, U Thant echoed the Algiers Charter: "We have passed the stage of defining the issues and outlining the theories," he said. "We have come to a stage of action".

THE GREAT DIVIDE

Action presupposes agreement. U Thant went on to repeat the now well-known discovery of the Development Decade that the international Great Divide is really not between the cold war East and West but between the developed North and the underdeveloped South of the globe. He called for bridging this gulf. Action to this end will first call for a common approach between Western Europe and North America on the one hand and Russia and most Communist countries of Eastern Europe on the other, that is, among the industrialised countries of the North, whether they have market economies or centrally-planned economies, to use the U.N. nomenclature for them. Whether this Northern concert to help the development of the Southern world will be achieved in UNCTAD is a question basic to the organisation. It is to the interest of developing countries to promote such a concert.

But impatient with the slow pace of trade liberalisation by the West and attracted by the solicitude of the East European Communist bloc for the trade expansion plans of developing countries, these countries have lately been eager to concentrate on expanding their trade with this bloc. In the debates in the Trade and Development Board last year, representatives of the East as well as the West, as also of some developing countries, recognised that all main trade flows are interdependent. The developing countries were also right to insist that measures to expand East-West trade should be taken in the light of the need to expand primarily the trade of the developing countries and that in any case this should not result in a deterioration of their relative trading positions.

INTEGRATED PERSONALITY

But if they were to use their trade expansion with the Communist bloc for an economic confrontation

with the West, and the former allowed itself to be used as such, it will naturally affect the chances of a Northern concert for helping the South. It is important for UNCTAD's future that the three segments of its membership—the East, the West and the Third World of underdeveloped countries—should help it to maintain its integrated personality.

The main reason why developing countries want to expand their trade with the Communist bloc is that the bloc, and Russia in particular, has given evidence of its willingness to buy more manufactures and semi-manufactures from developing countries. India and some of the bigger developing countries in Latin America which are well on the road to industrialisation find this new 'open door' particularly attractive, since gradually the scope for expanding exports of their primary products and older manufactures, like textiles, is contracting and this is the right time for them to establish exports of newer manufactures and semi-manufactures, for example the whole range of metallurgical goods.

ROLE OF TARIFFS

The older industrial countries of the West, on the other hand, have been less ready to admit more of the new as well as old manufactures of developing countries by suitable changes in their tariff and quota policies. It should be remembered, however, that tariffs do not play the same role in the trade of Communist countries as they do in free market economies. The Communist pattern of bilaterally balanced trade with the developing countries, and above all, the very fact that their economies are centrally-planned and directed, facilitate adoption of trade policies oriented to the special needs of underdeveloped countries. How far they can and will go in this direction is still too early to tell since this orientation is of recent origin. In any case, the main battle of developing countries has to be fought with Western industrial nations, both because of the much bigger market they constitute and of the difficulties of adopting the new 'open door' which are inherent in their free market system.

A TALL ORDER

The Charter issued by the Ministerial Meeting of "the Group of 77" which met in Algiers in October 1967 called upon the Second UNCTAD to negotiate a general system of non-reciprocal, non-discriminatory preferences for manufactures and semi-manufactures exported from developing countries to the markets of developed countries. It wants "unrestricted and duty-free access to the markets of all the developed countries for all manufactures and semi-manufactures from all developing countries". This sounds a tall order, but even if it did not, a great deal of detailed work would be necessary on the part of both sets of countries to arrive at a preferential system acceptable to all of them. The principle of non-reciprocity can be more readily accepted by Western industrial nations than the principle of non-discriminatory entry to products of all developing countries.

Preferences in favour of certain countries, which implies discrimination against others, can be economic as well as political. The system of tariff preferences

that prevails in Commonwealth trade and the preferences which the Associated Overseas Territories, mostly African countries, enjoy in their trade with the European Economic Community are examples of a discriminatory system built on a political base. Assuming that this would be done away with by agreement in UNCTAD, the adoption of an 'open door' even on purely economic grounds raises important questions. The ultimate aim of free access for the manufactures and semi-manufactures of developing countries is maximisation of their export earnings so as to provide them with their own funds for development in place of aid as much as possible. This is also the aim of their expectation of freer access and better prices for their exports of agricultural products, processed or otherwise. For the duration that they must supplement trade with aid, more export earnings will enable them to meet the interest and repayment charges on their foreign debts without undue strain on their balance of payments.

TWO QUESTIONS

This raises two questions: whether it would be fair to treat all underdeveloped countries alike, and if not, what should be the criteria for any favoured treatment that has to be accorded to some of them even if it be limited in scope and time. The willingness of Western industrialised nations to agree to an 'open door' that does not differentiate as between developing countries is doubtful on practical considerations. But the question is really related to the objectives of international development rather than to the liberality or prejudices of individual developed countries. 'Less developed' is normally interpreted to mean 'less industrially developed'. The less developed in this sense may be justified in feeling that it is unfair to equate them with the better industrialised among them, and that they should have a preferred access to markets of developed countries in relation also to the better developed members of their own fraternity. Is it right that the less developed among developing countries should get special treatment simply by the fact of their being less developed in this sense and without reference to their foreign exchange needs for development? If the latter is the criterion then the balance of payments of developing countries becomes more relevant to a preferential system than the extent of their industrialisation.

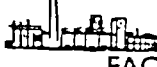
Developed countries need not fear that freer (even free) access to the manufactures of developing countries will ruin their economies. As yet only a few of the latter are in a position to take advantage of such access, except in old manufactures. Few of them produce the new industrial goods at the quality and price needed to make inroads on developed markets. Indeed free access will do good to industries in developing countries. They will be compelled to become more economic. In the immediate future most of them will benefit more by preferred access to, and better prices for, processed and semi-processed agricultural products. The problem of falling international prices for primary products and a suitable mechanism to compensate primary producers for the resulting loss in their foreign exchange earnings are among the pressing problems of which UNCTAD is seized.

The slogan, "prosperity like peace is indivisible", is generally understood to mean that half the world cannot hope to be prosperous if the other half remains poor. This is true enough, and the post-war movement for the development of the poorer half through large-scale flow of capital to it (mostly official but also private) from the richer countries springs from an awareness of this truth, which means, from their enlightened self-interest. But the statement also implies that developing countries cannot hope to buy their prosperity at the cost of depression in developed countries. The terms of aid from the West should of course be made much easier if aid is not to defeat its own purpose by imposing an intolerable repayment burden on developing countries. Aid should be supplemented with trade, to which end freer trade is essential. Nevertheless, capital must continue to flow for many more years to developing countries, whether as aid or in other forms. UNCTAD itself is among those which are complaining that aid as a proportion of gross national product has been declining in the Development Decade.

Capital cannot flow if the capital-exporting countries themselves begin to suffer from chronic balance of payments difficulties, restriction of industrial capacity, unemployment, etc. It is natural that in examining proposals for trade liberalisation, developed countries should keep in mind its possible repercussions on their domestic economies. This is only to suggest that much understanding and a great deal of patient negotiation will be demanded of both developed and developing countries if UNCTAD is to be followed by action.

VAYUTAN
THE VERSATILE, HEAT-INSULATION
& LIGHT-WEIGHT BLOCKS

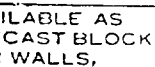

FOR
BUILDINGS


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B. D. SOMANI

It is essential for developing countries to recognise that economic growth and better export performance are one and the same side of a coin.

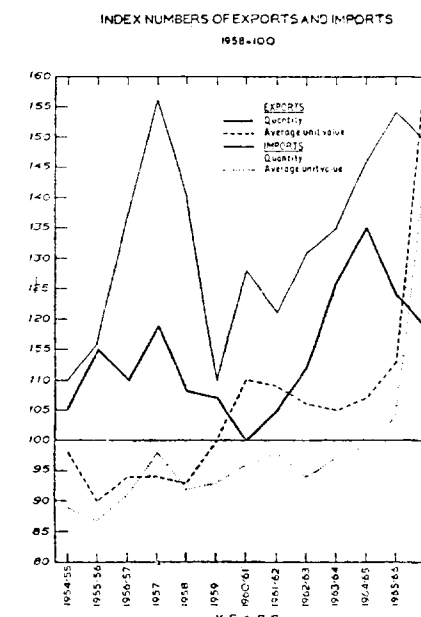
Developed countries should give positive preferences to imports from developing countries.

CHANGE IN EMPHASIS NEEDED IN INTERNATIONAL TRADE

EVER since the end of the Second World War in 1945, several international measures at increasing economic prosperity have been undertaken. These have been aimed at benefiting both the more advanced countries as well as the less-developed countries of the world.

In this article I wish to restrict myself to analysing the steps taken for improving the export potential of the developing countries. The bulk of the measures initiated related to the expansion of exports under the auspices of the organisation called the General Agreements on Tariffs and Trade (GATT).

GATT, in all its wisdom, emphasised the doctrine of non-



Competition from Advanced Countries

In course of time they shifted their position. The most favoured nation rule fell into disfavour, as the mere reduction of import barriers on new goods was considered to be of little help. After all, new industries in the developing countries were unable to meet the competition in world markets from exports of the already industrially advanced countries. What was therefore needed was preferential access.

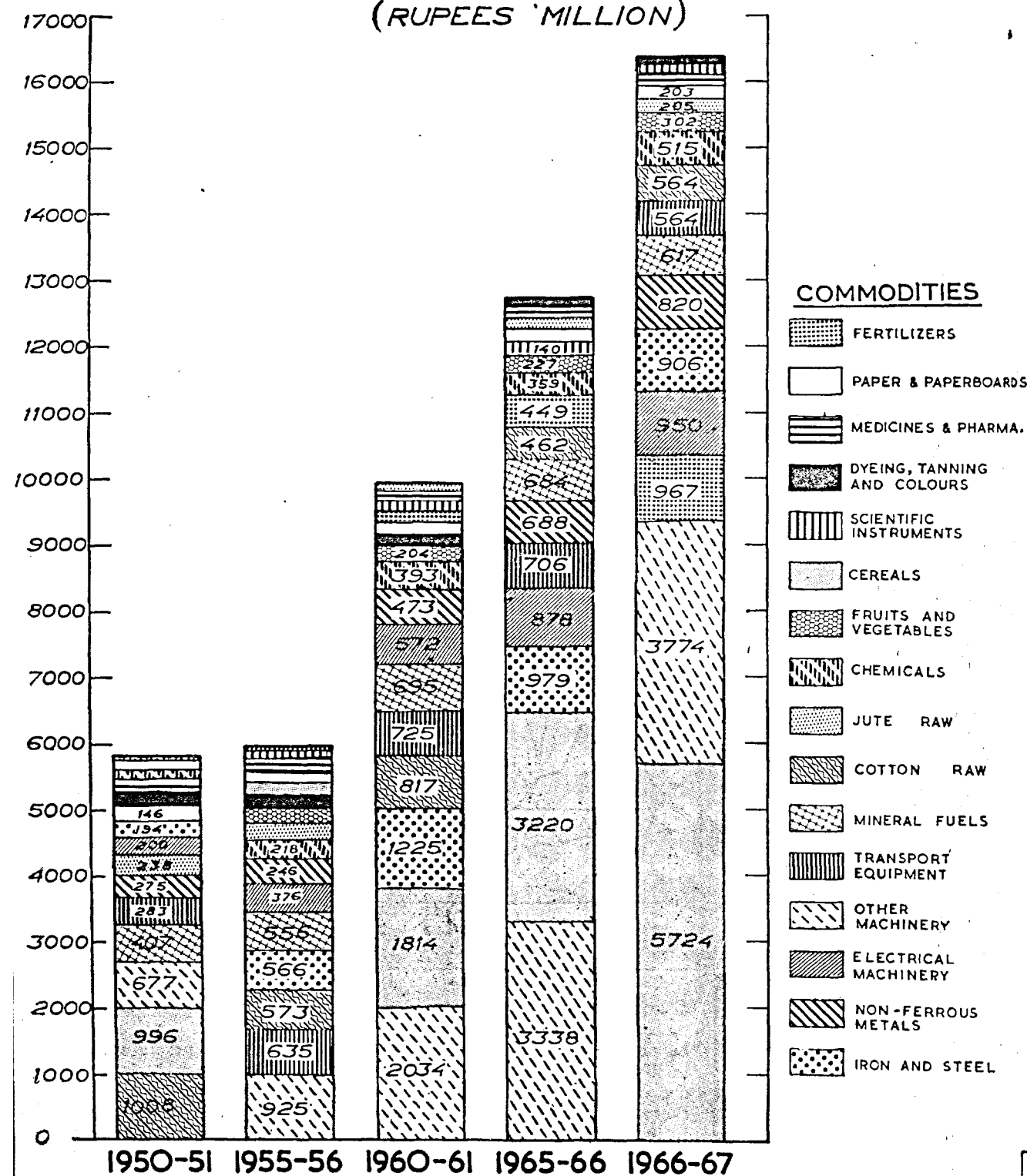
Besides, the less industrialised countries also realised the enormity of their task. For example in early 1961, the Secretariat of the U.N. Economic Commission for Europe, in its *Economic Survey of Europe in 1960*, estimated that for developing countries to achieve a 3 per cent per annum increase in their per capita incomes, they would have to expand, by 1980, their total exports to the developed economies 2.5 times their existing rate. This could be made possible only if the low-income countries together were able, by that time, to export manufactured goods to an amount at least seven times that recorded in 1960.

COLLECTIVE ACTION
BY ALL COUNTRIES
WILL HELP

discrimination in international trade. Consequently, wherever barriers to trade existed insofar as tariffs, quotas and subsidies were concerned, it sought to remove them. But this device did not bring about the desired result for the developing world. As a matter of fact, the efforts of GATT tended to promote international trade of the developed countries more than that of the less-developed countries.

PRINCIPAL IMPORTS

(RUPEES 'MILLION)



Moreover, the creation of regional trade blocs like ECM and EFTA had helped to strengthen intra-regional trade, rather than trade throughout the world. The developed countries, being each other's best customers, increased the tempo of mutual reliance in the early 'fifties. Coupled with the faster rate of growth in output, employment and incomes, this led to a rapid rise in international trade, considerably above the rate of growth in their domestic markets. This was a new feature in foreign trade, since past experience was that higher growth at home alone led to higher growth in international trade.

Preferential Tariffs

Once again, therefore, the underdeveloped countries made a different attempt at improving their share in world exports. At the first session of UNCTAD in 1964 and later at discussions under GATT, they proposed that developed nations should grant tariff preferences to imports of manufactured goods from the developing nations. The idea behind the proposal was that if producers in the less-developed countries faced lower tariffs in the developed areas than their rivals from the highly industrialised nations, then the markets for the former's exports would be enlarged and economic development of their countries facilitated.

The preference issue in 1965 set the African countries (which wanted to continue to enjoy their present preference in the European Common Market) against the other developing countries (which wished to see preferences extended uniformly by all developed countries to all developing ones). Some

members of ECM disagreed with others on the question of selective and individually negotiated preferences *versus* a generalised system. Those less-developed, being at the lower end of the industrialisation scale, opposed those at the higher end. The issue, therefore, was quietly merged with the Kennedy Round discussions, whose outcome is not at all favourable to the developing nations. At best, they are likely to enjoy a 5 per cent price advantage. Could this be considered decisive? Would it be possible for developing countries to gain access to markets in the developed nations in the face of stiff competition from domestic producers of comparable manufactured goods or imports from other industrial countries? All these are moot points.

Foreign Assistance

Similarly, developed countries demanded more aid to overcome the deficiency in their export earnings. They felt that, by and large, they had to depend on one or two commodities for earning sufficiently to maintain their balance of payments in an equilibrium. They felt that, as the commodity on which they relied for this purpose was a primary product, it was subject to the vicissitudes of nature and hence brought about a cyclical behaviour in the payments position. It was hence felt that the diversification of the domestic economy through foreign assistance would ultimately reflect in diversifying their export structure and correcting the disequilibrium in the balance of payments.

The hope was held out that aid would be forthcoming on private account to a very large extent, as

was the case during the inter-war period. However, this did not come about. Private foreign investment tended to flow only in a few countries and that too tended to concentrate on exploitation of petroleum products. Happily, the developed countries realised this deficiency and sought to overcome it by increasing the flow of aid on a bilateral official basis. Under the scheme today, no doubt, some valuable assistance has been given, but it is not up to the desired extent. Therefore a call was given by the United Nations to call the period 1960-1971 the 'Development Decade.' Under this programme, the developed countries were to contribute one per cent of their GNP towards the grant of foreign aid. Except for a few countries, this target has fallen short.

Moreover, aid which was to be employed in bringing about economic growth did not succeed in creating an exportable surplus. Various countries had different reasons for this. However, in general, it seems that in most countries, where an emphasis was placed on rapid industrialisation, the cost of production increased substantially owing to high capital co-efficient. The neglect of agriculture resulted in severe strains on the economic system, as the resulting rise in incomes generated a demand for the market of agricultural products. Agriculture provided the base for exports, and increase in consumption at home led to a decline in exports.

Another lesson from growth economics that the developing countries have to learn is that within a wide range of manufactures, they should concentrate initially on products based on simple

WORLD EXPORTS 1950 TO 1966

Area	1950		1955		1960		1965		1966	
	Rs. crore	%	Rs. crore	%	Rs. crore	%	Rs. crore	%	Rs. crore	%
I. Industrial countries (total)	15851	60.32	25942	65.66	37366	64.18	56311	72.14	62120	72.16
U.S.A.	4903	18.65	7426	18.79	9806	16.84	13042	16.70	14464	16.80
W. Europe	9092	34.59	15327	38.79	22848	39.24	35176	45.05	38237	44.42
Japan	381	1.44	952	2.40	1952	3.35	4046	5.18	4644	5.39
II. Other developed areas	2142	8.15	2951	7.46	3665	6.29	5284	6.76	5818	6.76
III. Less developed areas	8282	31.53	10615	26.88	17184	29.53	16469	21.10	18145	21.08
IV. Grand total	26275	100.00	39508	100.00	58215	100.00	78064	100.00	86083	100.00
V. India's share	498	1.89	597	1.51	627	1.07	816	1.04	807	0.94

Note: Data about countries other than India relate to the financial year
Source: International Financial Statistics

and intermediate technology, where they have an obvious natural cost advantage. Even the developed countries seem to offer enormous markets for such products as steel files, diesel engines, pumps, sewing machines, fans and machine tools.

Besides, where the countries move from the transitional stage of intermediate technology to the next higher one of investment in heavy industry, they should weigh its export potential rather than its import saving content. Otherwise, the productive structure that is created will be import substituting rather than export-promoting. Under these circumstances, aid fails to make goods available for export. When this is the case, at the time of payment of foreign debt, the burden becomes intolerable. Loans received from the developed countries at commercial rates pose a threat to the balance of payment stability.

As a result of the failure of the past international policy to yield us the desired result, it is necessary that we introduce a change in emphasis today. I suggest that collective action may be taken by the developed and the developing countries in various directions to complement the work already being done in the field.

Trade Promotion

In the matter of trade promotion, the developed countries should undertake measures to accept more goods within their countries, which constitute traditional items or new products in the manufacturing field. It is not enough for them to reduce tariffs on imports from the developing countries. Positive preferences should be given. Regional groupings such, as the European Economic Community, should accept as a cardinal principle a higher flow of imports from the developing countries.

Apart from tariffs, there is a great deal that the developed countries can do to promote the exports of less developed countries through elimination of "administrative" protection. Further, in the case of several primary commodities and basic metals, long-term plans should be worked out for minimising the fluctuations in the volume and the value of ex-

ports. International commodity agreements already exist, but they seem to have been more of a hindrance than help. They tend to prescribe rigid quotas as a solution rather than emphasise production and regulated distribution.

Economic Growth and Exports

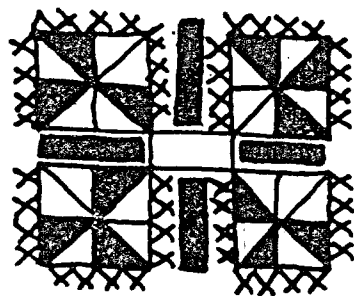
With respect to the measures the developing countries should take, it is essential for them to recognise that economic growth and better export performance are one and the same side of a coin. It is of utmost importance, therefore, that they pursue a system of fiscal and monetary discipline, which will bring about economic stability rather than inflation. They must also learn to mobilise resources to the maximum extent and provide sufficient initiative for establishing the economy on sound lines. It may be mentioned that there appears to be an inadequate recognition of the relationship between domestic inflation and exports. If there is a serious inflation and if the exchange rate remains unchanged, then exports will become uncompetitive and imports (normal or smuggled) will get a boost. The result will be a serious deficit in the balance of payments which cannot be avoided by any combination of measures, short of total regimentation of the economy.

Agriculture and Industry

It is also vitally important for the developing countries, in general, to pursue realistic objectives and techniques in allocating resources rationally. There appears to be a general tendency to tone down investment in agriculture and emphasise rapid industrialisation through new industries which are capital intensive in character. This strategy has been found to be defective and, therefore, should not be pursued. The principle of balanced growth should be adopted in which investments in agriculture and industry are equally emphasised. Industrial growth should be agro-based rather than dependent on imports. This will result in adoption of technologies which are within the capability of less developed countries and in a higher outflow of goods and services at relatively competitive rates.

Apart from producing goods of quality and pricing them properly, a great deal of market research is required. It should relate not only to changing tastes and preferences, but also to new product innovations and product obsolescence taking place. An equally important aspect, which the developing countries have to emphasise if they are to increase their exports, is to provide service after sales. Unless this is done, it will be difficult for them to bring about a rise in their exports.

Finally, co-operation at all levels among the less-developed countries has become the need of the hour for a sustained self-generating growth in their exports. What would have been true some years ago, that less developed countries are producers of similar products and, therefore, their interest in international markets conflicts with one another, is true no longer. The developing countries today present a spectrum of growth levels, at complete variance with one another, owing to differences in their size, make up, national character and technological development. Those at the higher end of the spectrum of growth and sophistication are now in a position to render assistance to those in the lower group. It is, therefore, of utmost importance for us to see that the developing countries themselves arrive at some kind of a coalition of economic interest at different levels in different parts of the world. They should also seek to maintain liaison between one or the other of such groups, so that their overall development and growth in exports could be co-ordinated to their maximum advantage.



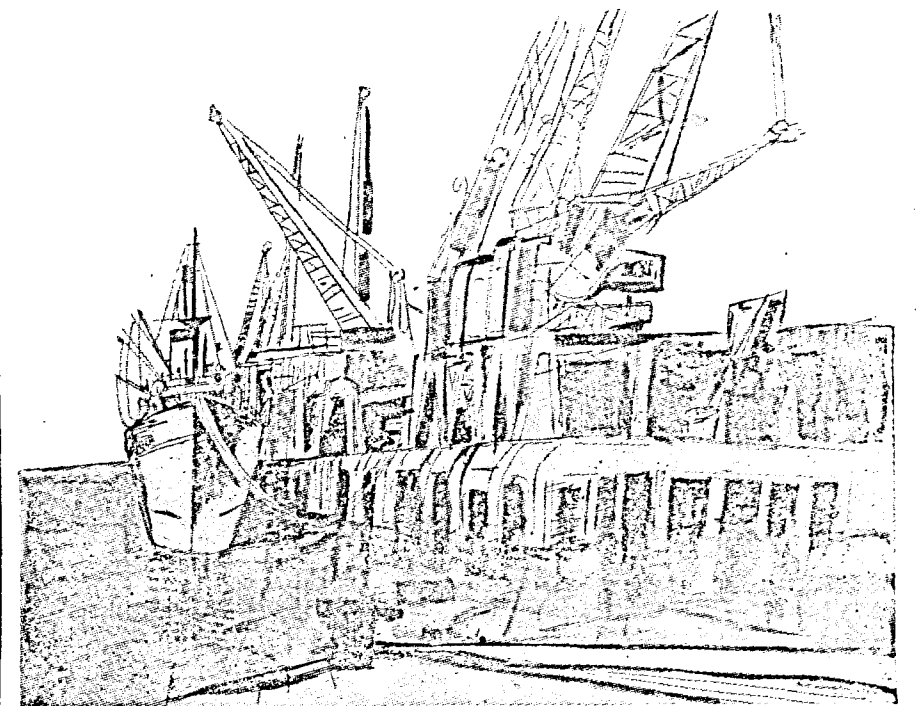
A CASE FOR FREER ACCESS TO DEVELOPED COUNTRIES MARKETS

G. L. MEHTA

INDIA has made considerable progress in industrial development during the last seventeen years. The country's record in this respect despite shortcomings, of which we are becoming increasingly conscious now, is creditable, considering the wide range of industries set up and the advance in technological services, like designing capacity, achieved during this period.

However, it is increasingly realised that a country cannot progress in one sector without upgrading other sectors. It might be possible to concentrate for a short period on any one sector of the economy to remove imbalances, but in any concerted effort at development, all sectors would need to be developed at matching rates; otherwise, it is likely that the lagging sector would pull down with it the overall development rate.

India has had experience of this in two distinct areas. It is now



**India Should
Export More
To Neighbours**

export promotion needs to take these factors into account.

Meanwhile, India's requirements of imports have gone up on two counts: firstly, with a much larger and industrialised economy to support our requirements of imported goods, namely raw

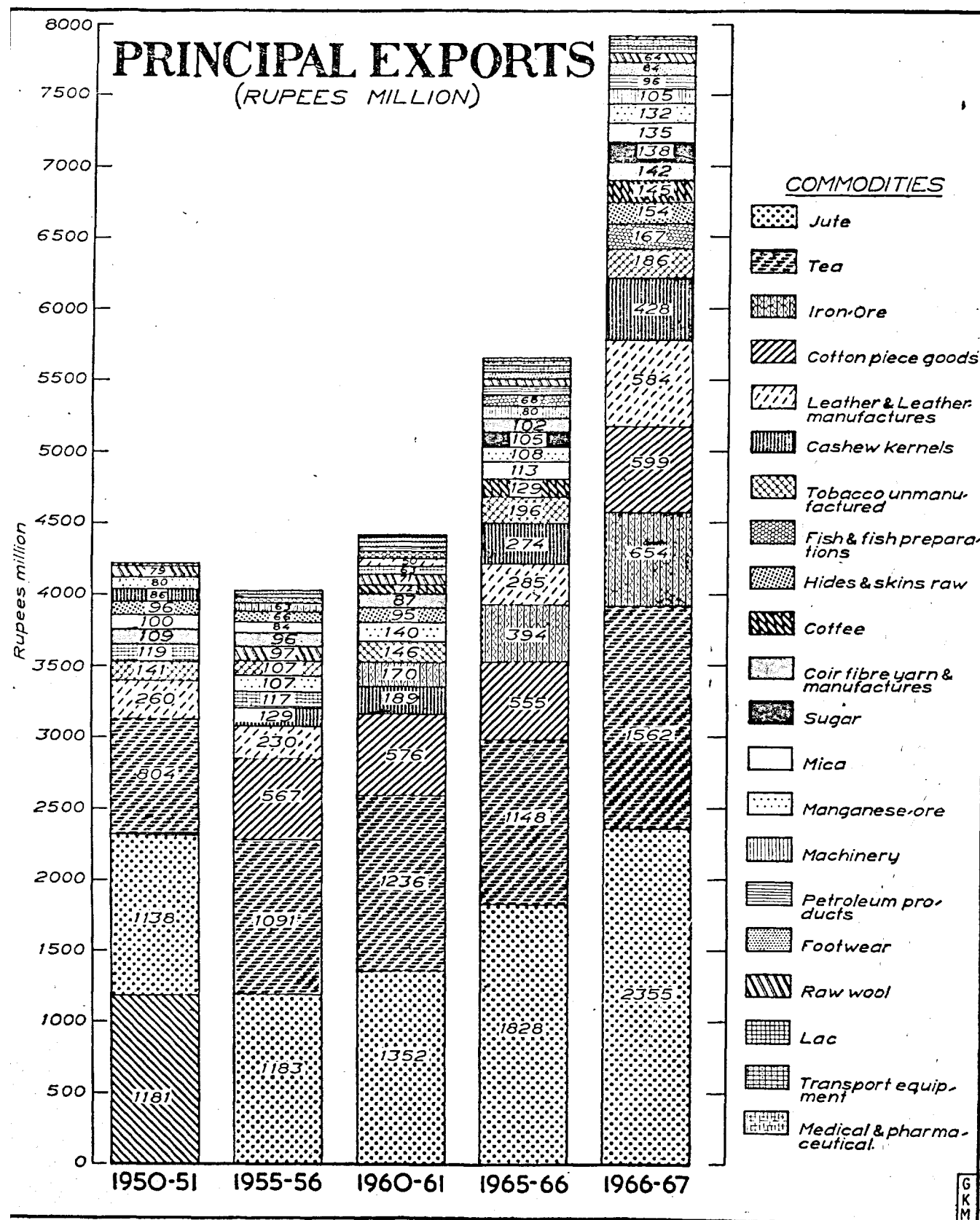
WORLD SHOULD NOT BE ONE-FOURTH RICH, THREE-FOURTHS POOR

widely recognised that the neglect of agriculture in the past few years is responsible for many of the difficulties which our planning faces today. Moreover, the failure of exports to rise is now seen as directly limiting the utilisation of industrial capacity already set up and the growth of industries in general. We are now seeking to remove both these lags by concentrating development efforts on them.

A few figures will bring out the lag in our exports. While national income increased by 150 per cent

between 1950-51 and 1966-67, exports increased during the same period by 30 per cent; in other words, exports as a proportion of national income have declined from 6.3 per cent in 1950-51 to 3.3 per cent in 1966-67. It is true that exports, after having been relatively stable for the last fifteen years, cannot be expected to rise rapidly in a short period. For exports involve not only ability and willingness to sell on our part but willingness on the part of foreign countries to buy. Any attempt at

materials and components, to keep the economy going have risen; it would be much larger if requirements on account of capital goods imports to support the development effort are also taken into account. Secondly, as economic development in the country has taken place with loans raised abroad, servicing obligations, on account of interest payment and loan repayments, have risen; these now amount to Rs 350 crore and are estimated to rise to Rs 625 crore in 1970-71.



Industry in India, except for traditional items like textiles, sugar and cement, is of recent origin and it cannot be expected in a short time to meet the home market's needs as well as provide for exports. What matters in exports is not only the availability of surpluses which, thanks to the recession, have begun to emerge in a large number of industries but also their supply at competitive price and quality. In this respect Indian products have fallen behind. Costs of Indian goods are high and quality inferior, compared to international standards.

Government is seeking to offset some of the disadvantages from which Indian industry suffers by allowing export subsidies. However, it would not be proper to expect Government to cover up all the weaknesses of industry. That would be the surest downward path to inefficiency, and it behoves industry to make a sustained endeavour to improve quality and reduce costs so as to be competitive in export markets.

Government will have to make

greater efforts to foster export markets in neighbouring countries. In many respects, these countries are at the same stage of development as India, and their requirements, particularly for intermediate and capital goods, are not of the sophisticated types which are produced in advanced countries: for example, their needs of machine tools are more of the types made in India than of the advanced designs which Europe and the U.S.A. make. India should take advantage of this.

Discriminating against Developing Countries

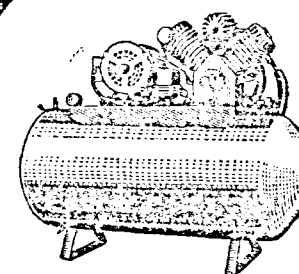
Lastly, and this is where UNCTAD has an important role to play, the fastest growing export markets are those in the advanced countries, and developing countries need facilities for access to these markets. So far many of the developed countries have sought to protect their market for their own industries by high tariffs and even by imposing quotas, as in the case of cotton textiles, on imports from developing countries. This policy

really discriminates against developing countries. They would not be able to compete with their domestic producers in respect of sophisticated goods, whether they be consumer durables or advanced machine tools. And where, as in the case of simple cotton textiles, the developing countries are able to compete in these markets, the doors are shut to such exports.

It is therefore appropriate that the forthcoming meeting of UNCTAD should highlight the issues of trade between developing and advanced countries. The case for freer access for developing countries to the markets of advanced countries is based on the fact that these markets are expanding rapidly and these are the only goods in which developing countries can expect to build up their exports. Recognition of this fact would be a matter not only of economic logic but of political magnanimity which is the hallmark of statesmanship. The world can no longer be three-fourths poor and one-fourth prosperous.

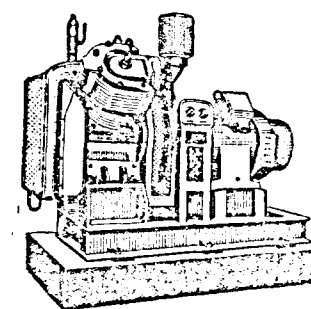
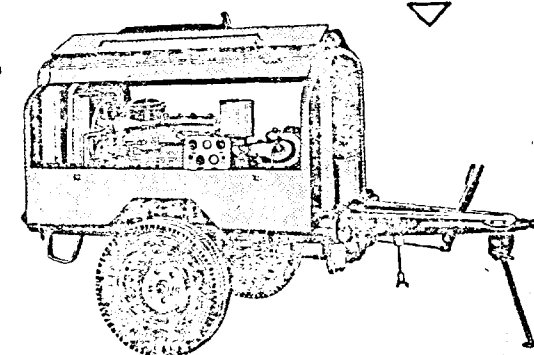
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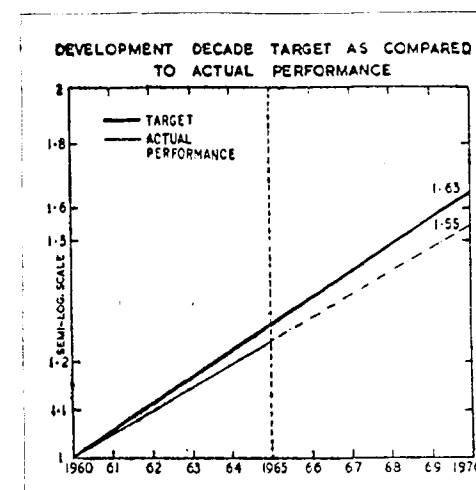
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INDIA STRIVES FOR UNITY Among Developing Nations THROUGH UNCTAD

INDIA was the only country to offer host facilities after the members of the Trade and Development Board, the permanent organ of UNCTAD, expressed their desire to hold the second conference in one of the developing countries. This was only natural. India has already hitched her wagon to a new policy of trade as aid for development and developmental needs count most in her calculations. She is one of the 31 developing countries which are represented in the 55-member Trade and Development Board. She is also a member of the four standing committees each on commodities, manufactures, shipping and invisibles, and financing set up by the Board in 1965.

India's interest in the new trade policy is born of her own trade experience which revealed the deficiencies of the Victorian doctrine that international trade based on the theory of comparative advantage

In Geneva, India assisted in the formulation of the recommendations of UNCTAD-I.

India initiated the proposal for the meeting of 77 developing countries to secure positive results from UNCTAD-II.

and division of labour can benefit all countries. The progress of India's Plans has been seriously hampered by the inadequacies of external resources. The assistance from the friendly countries might appear substantial in absolute terms, but it is totally inadequate to meet the developmental requirements of over 500 million people. The annual per capita inflow of official loans and grant to India has been among

the lowest in the world; it is estimated to be only about \$2 per person as against over \$30 in the case of some other countries.

India undoubtedly needs financial aid, but this is not all. In fact large financial aid in the era of planning has left an aftermath of debt charges. These can be cleared quickly only through larger exports which necessarily call for larger trade concessions from the industrially developed nations. Otherwise debt charges will begin to subsist on debt through its rescheduling. India, therefore, sought the collaboration of other developing countries facing almost identical situation and took an active role in calling into being the new international agency UNCTAD to formulate an integrated trade and aid formula which could help them to achieve a steady 5 per cent annual growth in income during the Development Decade (1961-70) as projected by the United Nations Organisation.

GENEVA CONFERENCE

In Geneva, the Indian delegation assisted in the formulation of the recommendations of UNCTAD-I, which covered all aspects of trade, finance and economic developmental problems. Measures were recommended to make more foreign exchange resources available to the developing countries. The industrialised countries were urged to provide financial assistance to the developing countries of a minimum net amount, approaching as nearly as possible to 1 per cent of their national incomes, and grant of loans on a long-term basis at minimum interest rates in order to reduce their burden of external debt.

At the end of the conference, India and 76 other developing countries issued a joint declaration stating that there was not adequate appreciation of the 'trade gap' and that only the most 'limited approaches' had been made regarding trade in primary commodities and preferences for exports of manufactures. The declaration expressed the hope that the UNCTAD must 'serve as a decisive instrument for

ending the division of the world into areas of affluence and intolerable poverty'. The declaratories resolved to continue their efforts to bring to an end the 'injustice and neglect of centuries' and they looked to 'the entire international community for understanding and support in their endeavour.'

A CONSENSUS EMERGES

The lofty note of unity, which marked the joint declaration, could not hide the fact that the developing countries were certainly not united enough in their purposes or attitudes to function as an effective group. Groups of them had special economic relations with the industrialised countries which they would not like to discard. The Secretary General of UNCTAD also referred to 'the vertical division of trade and the tendency of Africa and Latin America to be confined in exclusive relationships with Europe and the United States'.

India noted that unity among the developing countries had to be maintained and further strengthened not only to enlarge the area of co-operative endeavour in the international field but also for securing mutually beneficial relationships with the rest of the world. She, therefore, initiated a proposal at the third session of the Trade and Development Board (January-February 1966) that a ministerial level meeting of the 77 developing countries should be convened to work out the strategy for the developing countries and secure positive results from UNCTAD-II. As a result of further discussions at the fourth session of the Board, a consensus emerged in favour of holding such a meeting which subsequently was held in Algiers in October 1967.

ALGIERS CHARTER

The conference met under conditions of 'common adversity'. The rate of 'economic advance of the developing countries, their relative share in international trade, and the net outflow of capital resources from the developed to the developing countries had all shown a downward dip. The chasm dividing the impoverished and the affluent had grown 'deeper and wider' and

the Development Decade was turning out to be a 'decade of frustration'. India's cogent and powerful plea for consolidating the unity among the participating countries was taken up by nearly all the delegates. A commonly acceptable charter containing a programme of action was eventually adopted, which, at the same time, provides a tangible base for continuing negotiations at UNCTAD 'on constructive and action-oriented lines designed to produce practical results'.

The Algiers meeting also agreed, at India's suggestion, to send ministerial missions to groups of developed countries to canvass support for the recommendations of the conference. Acting on this proposal, a goodwill mission from 'the group of 77', headed by India's Commerce Minister, visited Australia, New Zealand and Japan to explain the Algiers declaration to the Governments of these countries and seek their co-operation at the forthcoming conference in New Delhi. Australia, it may be stated, is already implementing a scheme of preferences in favour of the developing countries.

STEP IN RIGHT DIRECTION

The flow of trade between one group of countries and another, whether industrial, developing or socialist, affects world trade and international economic structure as a whole. UNCTAD Secretariat's study on India's trade with socialist countries is a significant index to the realities of the developing situation. In just over ten years from 1955 to 1966, the share of socialist countries in India's exports rose from under 1 per cent to about 18 per cent. Over the Second and Third Plan periods, exports to the socialist countries accounted for nearly two-thirds of the expansion in India's exports. These countries are now becoming almost as important as her two leading traditional trading partners—U.K. and U.S.A. If appropriate measures are taken in the light of UNCTAD recommendations, the volume of this trade between the developing and the socialist countries is likely to reach 10 billion by 1970.

UNCTAD-I had stated explicitly that expansion of trade among

the developing countries was an instrument for accelerating the pace of economic development and the Final Act of the Conference called for study of arrangements necessary to bring about such expansion. But the trade among these countries continues to be a small and near-stagnant part of world trade, although there is much scope for expansion of trade in this direction. Here again, India, in conjunction with U.A.R. and Yugoslavia, has done a little by way of self-help.

In the second meeting of the Tripartite Working Group on Tariffs and Preferences, held in Belgrade in September 1967, the representatives of India, U.A.R. and Yugoslavia signed a document on the implementation of customs facilities preferentials in international trade exchange of these countries. They agreed to propose a joint list to their Governments of over 250 products in which each of the three countries would apply a reduced customs rate on the imports from the other two countries. For these products, both industrial and agricultural, the tariff rate would be lower by 56 per cent than the present rate.

Needless to say, the developing countries will have to work in co-operation with the rich nations in spite of their apparent failure to contribute the promised 1 per cent of their collective gross national product for economic aid. While the former will surely try to strengthen their bargaining power vis-à-vis the latter and minimise the effect of their dependence on primary commodities through greater trade between themselves, the ideal of world-wide prosperity will be the motivating force behind the action of both the groups. The point was made abundantly clear by the Indian official spokesman in Algiers who had said, "We do not want the rich countries to come to New Delhi afraid of reprisals." By every reliable index, the New Delhi meeting is expected to mark the watershed in the relationship between the developed and the developing countries and provide a negotiating forum for developmental co-operation.

India's Role At UNCTAD

A fourth of our export earnings has to be earmarked for repaying old debts.

The developed countries have been willing to help but in the spirit of a village moneylender in India.

By giving aid, they expand their commodity markets in developing countries, control the local sources of raw materials and retain them as a field for capital investment.

Aid-giving nations draw 20,000 million dollars every year from underdeveloped countries.

K. S. RAMAMURTHY

AID SHOULD ACT AS SPUR TO SELF-RELIANCE

IT has become fashionable to excoriate the advanced nations for all the ills of the developing countries. But the time for generalities is past. In this article, I shall attempt to focus attention on the specific problems of India. Such an analysis will be more meaningful since UNCTAD II is going to be an action-oriented conference.

According to economists, a country with a population growth of one per cent a year needs to invest about four to five per cent of its national income merely to maintain its wealth-population ratio. Unless technological progress is very great, there must be an investment of at least 8 per cent a year for one per cent rise in per capita real income for a population growing at 1 per cent a year. India's population is growing at 2.5 per cent a year and this means that even for marginal economic growth, investment will have to be at a rate much higher than the current rate of investment. Investment has been low because of the insufficiency of savings and if it is to rise

substantially, savings must increase, either private voluntary savings, or Government savings mainly through deficit financing or foreign savings. The plain fact is that India has relied more on its resources for development than on aid from abroad and in order that the growth rate should substantially surpass the rate of growth of population, the volume of foreign aid has to increase appreciably. The following table brings out the fact that domestic savings have progressively increased during the Plan periods, so much so that a considerable proportion of investment resources has come from within.

	1950-51	1955-56	1960-61	1965-66
Investment as per cent of national income	5.0	8.0	11.0	14
Domestic savings as per cent of national income	5.0	7.0	8.5	11
Taxes as per cent of national income	6.6	7.7	9.6	14

These figures show that, while investment rose from 5 per cent in

1950-51 to 14 per cent in 1965-66, domestic savings also rose during the same period from 5 per cent to 11 per cent. During the First Plan, foreign aid accounted for just 5 per cent of the investment, rising during the Second to a little over 12 per cent and to 15 per cent during the Third Plan. Hence, India has financed during the three Plans an average of less than 13 per cent of all her investment through foreign aid. The remaining 87 per cent has come from India's own resources.

Repaying Debts

Even this aid is tending to impose a heavy burden on the economy. It is feared that India will experience difficulties in meeting her loan repayment and servicing obligations. After devaluation of the rupee, India's estimated foreign debt is of the order of Rs. 7,100 crore. In all, our foreign debt forms about a fifth of our national income and involves a debt servicing liability of about Rs. 200 crore a year. That is to say, about a quarter of all our export earnings must be earmarked for repayment of old debts.

Here it will be useful to recall the terms under which Marshall Aid was given to West European countries. The most significant aspect of this aid was that at least 90 per cent of it was in grants. The West European nations could quickly reconstruct themselves and return the 10 per cent foreign aid. Of course, there are other factors, for example a high level of technology, which made for the quick economic recovery of Western Europe; but the main point to note is the wide disparity between the terms of Marshall Aid and of the aid given to developing countries.

Adding Debt to Poverty

In regard to India, 22 per cent of U.S. aid has been in grants, 32 per cent in loans at low interest repayable in dollars over a period of forty years and the remaining 46 per cent in loans repayable in rupees. If PL-480 grants are excluded, the grant element in U.S. aid comes to less than 10 per cent, as against the grant element of 90 per cent in the Marshall Plan. Aid from West Germany and the United

Kingdom does not carry more generous terms. Interest rates are high and the loans have short maturity periods. Moreover, through 'tied' credits the aid-giving nations take away by the left hand what they give by the right, for credits tied to projects or particular currencies tend to inflate the prices of machinery and equipment imported by the developing country. As the Commerce Minister pointed out some months ago, the developed countries have been willing enough to help but on terms very much in the spirit of a village money-lender in India which add to the old burden of poverty the new burden of debt.

A solid case can be made out for raising the grant element in old and future loans to at least 75 per cent by persistently emphasising that the developed countries ask for nothing more than repayment of what they received from the developing world in the course of history. Moreover, as was pointed out some time ago by the President of the World Bank, Mr. George Woods: "It is a paradox to speak of development assistance as foreign aid". In fact, as we all know, in the past much development assistance has been given in forms designed to benefit the immediate self-interest of the giver—forms rather different from those that would have been followed had economic development been the prime objective, and rather different also from those which would have been followed if performance by the developing country had been an important consideration."

In Self-Interest

Here the important point to note is that aid is not all altruism but is designed to serve the immediate self-interest of the giver. How? There are sound economic and political reasons why foreign aid was designed to serve the self-interest of the giver. To take only economic reasons. In offering aid, the giver expands his commodity markets in the developing countries, controls to some extent the local sources of raw materials and retains these countries as a field for capital investment. Some economists have calculated that taking into account all factors, the aid-giving nations draw annually

\$20,000 million from the underdeveloped countries. It has been pointed out by an American authority that the economic development of the United States itself would be impeded unless its external economic ties were expanded. The aid itself makes for full employment in the U.S.A. and other aid-giving nations. The institution of 'tied credits' keeps millions of people in advanced countries engaged in orders for supplies of specific items of capital goods.

India's Trade Balance

India's trade balance with aid-giving nations has grown steadily

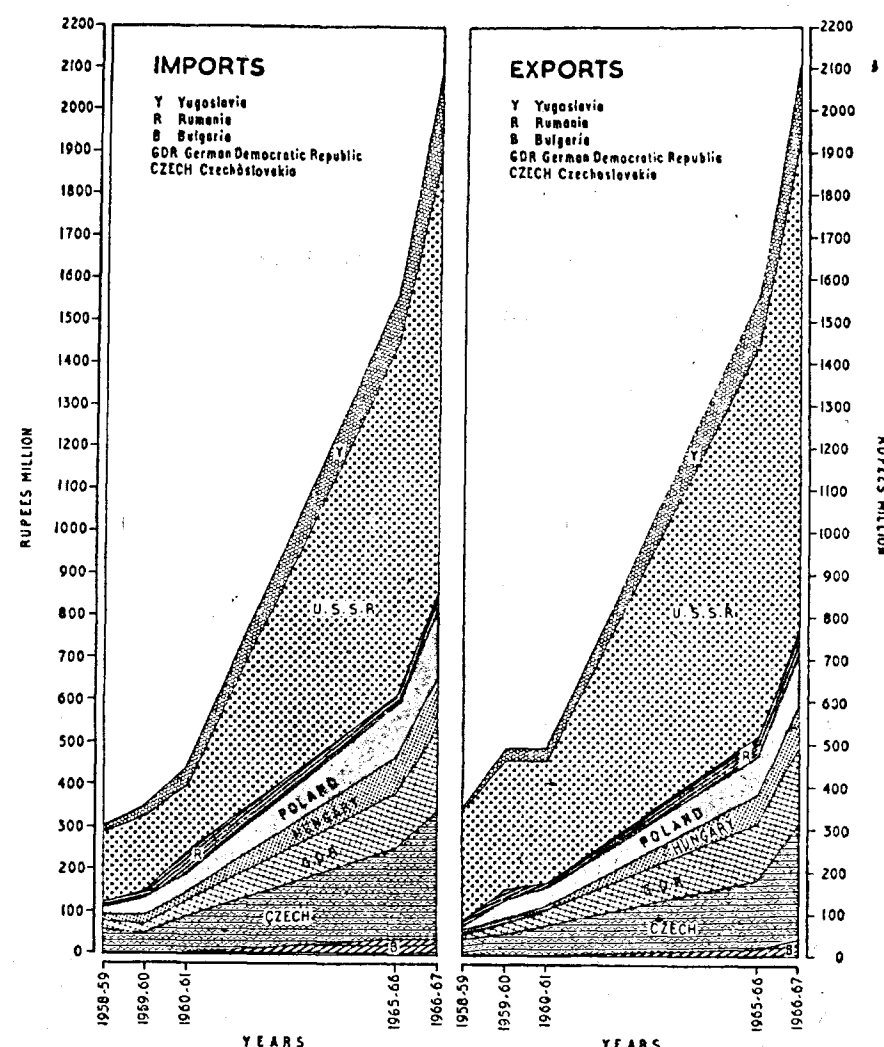
unfavourable. We will take the trade with four countries—the United States, the United Kingdom, West Germany and Canada—and three sets of figures of imports and exports for the years 1950-51, 1960-61 and 1965-66. (Table on next page.)

A comparison with the total trade shows the overwhelming share of these four countries in our economic exchanges. To take only the figures for India's trade in 1965-66: Imports—Rs. 1,350 crore; Exports—Rs. 805 crore; Balance of Trade—Rs. 545 crore.

Thus the U.S.A., the U.K., West Germany and Canada accounted for 62 per cent of our imports while

INDIA'S TRADE WITH EAST EUROPEAN RUPEE PAYMENT COUNTRIES

(RUPEES MILLION)



Trade with the Principal Aid Giving Countries

Country	Year	Imports	(in crores of rupees)		
			Exports	Trade Balance	
U.S.A.	1950-51	120.2	115.4	—	4.8
	1960-61	327.5	102.5	—	225.0
	1965-66	525.3	147.8	—	377.5
U.K.	1950-51	135.4	139.8	+	4.4
	1960-61	217.2	172.5	—	44.7
	1965-66	149.1	146.4	—	2.7
West Germany	1950-51	10.6	10.9	+	0.3
	1960-61	122.5	19.9	—	102.6
	1965-66	136.9	18.2	—	118.7
Canada	1950-51	21.6	13.8	—	7.8
	1960-61	19.9	17.6	—	2.3
	1965-66	30.5	20.3	—	10.2

they took only 40 per cent of our exports. When we remember the number of countries participating in the UNCTAD session—132—the imbalance in our trade relations is obvious.

Our trade with developed countries enjoys a priority compared to that with developing countries. Until recently India neglected the markets of developing countries although these provide vast openings for the manufactures and semi-manufactures of new Indian industries. A solution to many of our trading problems lies in expanding our economic links with the underdeveloped world.

For the capital goods which must come from advanced countries, India may well turn her eyes to the socialist countries who are rupee payment countries and who accept a wide variety of consumer goods manufactured in India. Our trade balance with the Soviet Union had a favourable balance of Rs. 10.5 crore.

Moreover, the country often tends to forget the possibilities of import substitution. In 1965-66, there was a gain of about Rs. 20 crore in the country's foreign exchange reserves, because of fall in imports as a sequel to the conflict with Pakistan and the consequent suspension of aid. This period saw a spurt in import substitution and diversification of production. The trend was reversed when, after devaluation, there was liberalisation of imports based on massive non-project aid from the West. The results were soon

evident. The loss in foreign exchange reserves in 1966-67 was over Rs. 80 crore and the downward trend has persisted since. The lesson is obvious. The structure of aid from advanced nations has to be so reoriented as to be a spurt to self-reliance.

Movement of Prices

All the export figures given above obscure a movement of prices to the disadvantage of the developing countries. While the prices of primary products exported from these countries slid down by 7 per cent since 1958, those of primary products exported from developed countries rose by 10 per cent during the same period. The promotion of synthetics in developed countries resulted in shrinking markets for the products of developing ones which bring to them most of their export earnings. Moreover, the prices of manufactures exported from the developed countries have gone up. This has further hit the balance of trade of developing nations, three-fourths of whose imports are manufactures. The following table brings out the disparity in the earning powers of the two groups of nations.

EXPORT PRICE INDICES

Year	(1958=100)	
	Price indices of exports of manufactures of developed countries	Price indices of exports of primary products of developing countries
1955	95	104
1961	102	90
1962	102	89
1963	103	97
1964	104	98
1965	106	93

Vulnerable Position

The Rio de Janeiro meeting of Finance Ministers in September last stressed the need to explore ways of stabilising prices of primary products. India, whose jute and tea exports constitute over 40 per cent of all her exports, is in an extremely vulnerable position. Of special significance to India were measures adopted by some developed countries on the basis of the Kennedy Round to restrict imports of cotton textiles.

India does not fare badly in the export of manufactured goods; nearly three quarters of manufactured goods exported from developing countries are from India. The value of these exports has been increasing on an average at 25 per cent a year. But manufactures still form a small proportion of India's total export trade and, what is more important, the share of manufactures is insignificant in exports to advanced nations.

India's external trade imbalance cannot be corrected merely by growth of exports of manufactures and primary commodities to the developed world. A rapid intensification of trade between the developing countries themselves is essential.

Supply of Capital Goods

India has bilateral trade agreements with a number of developing countries who account for about a quarter of its exports. Recently, trade on a tripartite basis involving India, the UAR and Yugoslavia has been tried satisfactorily. However, all these three countries have a diversified industrial base and a high degree of technological development in several fields. Hence, their experience may not be exactly relevant to other developing nations. What it underlines is the fact that some of the developing nations—India among them—can replace the advanced countries as suppliers of a wide variety of consumer as well as capital goods and machinery required by the underdeveloped world. The success of inter-regional agreements depends on the technical and financial support provided by the developed countries.



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delegates
the State
Bank says
welcome**

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KENNEDY ROUND Disappointing To Developing Countries

They look to UNCTAD II to solve their important trading problems.

Products of export interest to developing countries have been excluded from tariff cuts.

Manufactures involving use of advanced technology get deeper tariff cuts.

Negotiations on agricultural products prove barren.

India's trade will not get any competitive advantage by tariff cuts.

Trading problems of developing countries did not get priority.

R. D. PRADHAN

IN pursuance of its main objectives, the General Agreement on Tariffs and Trade (GATT) held five rounds of multilateral negotiations between 1947 and 1962. The sixth round, commonly known as the 'Kennedy Round', opened on May 4, 1964 and concluded on June 30, 1967.

In the previous GATT negotiations, bargaining was done on a selective item-by-item and concessions were exchanged on a reciprocal basis. This method of negotiations had many shortcomings, particularly for less-developed countries which on the whole were not in a position to offer reciprocal concessions. A linear approach involving tariff cuts across the board with a minimum of exceptions was, therefore, considered preferable for yielding better results. The authority secured by President Kennedy in October 1962 from the U.S. Congress under the United States Trade Expansion Act made the adoption of such an approach possible. The Act gave the U.S. Administration power to cut tariffs up to 50 per cent, subject to recipro-

city on across-the-board basis. The sixth round of GATT negotiations were, therefore, named after President Kennedy.

Fifty countries, including all industrialised countries with market economies and accounting for about \$ 136 billion, that is about 80 per cent of world trade, took part in the negotiations. Total concessions granted by these countries affect trade valued at just over \$ 40 billion. Of these, the major industrialised countries, namely countries belonging to the European Economic Community, Japan, Sweden, Switzerland, the United Kingdom and the United States, offered concessions, either by way of reduction in duties or accepting commitments not to increase existing zero duty, on imports valued at \$ 32 billion. The results were far greater than those obtained in the previous GATT negotiations. Therefore, the Kennedy Round has been described as "the most far-reaching international trade negotiations of all times". The results of the same were, however, described as "less impressive for developing countries",

since there was a wide gap between the original expectations and actual results in the case of the developing countries' trade.

In launching these trade negotiations, the Ministers of the Contracting Parties agreed that "every effort shall be made to reduce barriers to exports of less-developed countries". The ground rules, therefore, specifically provided that these negotiations should be aimed at: firstly, 50 per cent reduction in tariffs with a bare minimum of exceptions; secondly, reducing barriers to exports of less-developed countries by making tariff cuts deeper than 50 per cent or even by eliminating duties on products of special interest to less-developed countries; thirdly, securing liberalisation of trade in tropical products. It was also agreed that the developed countries would not expect to receive reciprocity from the less-developed countries and that the contribution of the less-developed countries to the overall objective of trade liberalisation would be considered in the light of the development and trade needs of these countries.

The final agreements reached fell below the original expectations, particularly in regard to linear tariff reduction of 50 per cent and deeper cuts on products of special interest to developing countries.

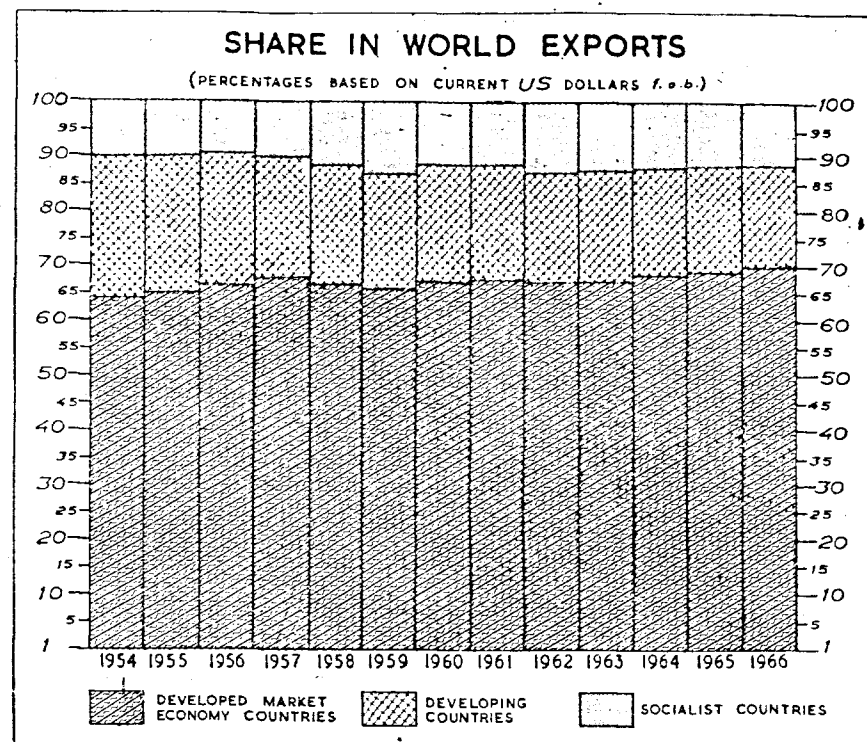
In the industrial field, reduction of import duty by 50 per cent has been agreed upon over a very wide field but the tariff cuts in some sectors are much smaller and many products of export interest to developing countries were excluded from the tariff cuts. In this sector of trade capital-intensive, manufactured products involving use of advanced technology in which industrialised countries had greater interest, received deeper tariff cuts. On the other hand, duty reductions affect a smaller percentage of dutiable imports in such sectors as textiles, iron and steel, tropical products and fuels in which developing countries had greater trade interest.

In the agricultural sector, which was of great importance to some developing countries, only limited results were achieved. Thus, for example, except in the case of cereals for which basic elements to be incorporated in an international grains arrangement were agreed upon, negotiations in of vegetable oils, sugar, dairy products and meat yielded almost no results.

So far as India was concerned, these negotiations held forth in the beginning reasonable prospects of her obtaining worthwhile concessions and facilities for her trade in those markets where her products did not enjoy preferential advantage. These were mainly the U.S.A., E.E.C. and Nordic countries. At the same time, there were possibilities of her sustaining losses in those markets in which Indian products enjoyed preferences. The countries concerned were the U.K., Canada, New Zealand and Ireland. The preferential advantage in these countries will be reduced to the extent by which import duties have been scaled down in these countries.

ASSESSING INDIA'S GAINS AND LOSSES

As assessment of gains and losses to India's trade on the basis of trade exchanges in the year 1964-65, which formed the basis of these



multilateral negotiations, show that in that year, of the total exports from India amounting to Rs. 815 crore, 56 per cent amounting to Rs. 456 crore were accounted by industrialised countries participating in these negotiations. Out of this, non-preferential markets accounted for Rs. 191 crore. In purely quantitative terms, it is estimated that India has secured in non-preferential markets concessions on products accounting for exports of Rs. 196 crore. On the other hand, in preferential markets, products accounting for exports of Rs. 42 crore would be adversely affected by way of elimination or reduction in the margin of preference.

The main products benefiting from reduction of import duties in the United States are cashew kernels, jute fabrics, unmanufactured mica, manganese ore, jute bags, handloom products, tanned goat skins, tanned leather, woollen hand-knotted carpets and coir matings. The European Economic Community, on behalf of the six member States, namely France, West Germany, Italy, Belgium, Netherlands and Luxemburg, has offered concessions by way of reduction in duty on East India kips, hand-knotted carpets and jute sacking. In respect of handloom pro-

ducts, it has agreed to a duty-free quota of \$ 2 million a year, with a promise to increase the value limit in the light of actual performance. The main products on which Japan has accorded tariff concessions are: cashew kernels, sheep and goat skins, coir mats and matings and woollen carpets. Norway, Denmark and Sweden have agreed to eliminate duties on a wide range of tropical products as well as semi-tanned leather exported by India.

In regard to preferential markets where India's trade would sustain losses, the main impact would be felt in the United Kingdom which provides a sheltered market for India's new lines of manufacture. As a result, such products as builders and sanitary hardware, sewing machines and electrical equipment would have to face greater competition in the U.K. from developed countries which also supply them.

While the Kennedy Round negotiations would appear to have provided increased trading opportunities in industrialised countries by the scaling down of import duties, the real value of these tariff reductions would depend upon the ability of Indian exporters to take advantage of the tariff cuts for competing successfully against

domestic industries in the importing countries. So far as third countries are concerned, since under the Most-Favoured-Nation rule the benefits of tariff cuts will be available equally to all member countries of GATT, India's trade would not obtain any special competitive advantage vis-a-vis those countries.

At the end of the Kennedy Round, the developing countries as a whole were left with a feeling that their trading problems had not received the same priority as those of developed countries. The actual results on the whole were also disappointing and considerably fell short of their expectations. Tariff concessions were denied to many products of interest to the developing countries and where these had been conceded, the cuts in import duties were not sufficiently deep. The need for preferential treatment to products originating in the developing countries to offset structural handicaps was not even examined. No agreement was reached to apply fully, without phasing, tariff cuts agreed to in the course of the negotiations on products originating in developing countries.

DEVELOPING COUNTRIES DISSATISFIED

This sense of disappointment of the developing countries was given expression to in a joint statement tabled on their behalf in the concluding session of the Trade Negotiations Committee held on June 30, 1967. The statement said:

"Today when the Kennedy Round of negotiations has come to an end, the developing countries participating in these negotiations wish to state that the most important problems of most of them in the field of trade taken up within the framework of these negotiations, still remain unresolved. These developing countries deeply regret that they are not in a position to share, to the same extent, the satisfaction of the developed countries on the conclusion and the achievements of the Kennedy Round."

In their joint statement, the developing countries further urged upon the developed countries the need for initiating early action to resolve all the outstanding questions

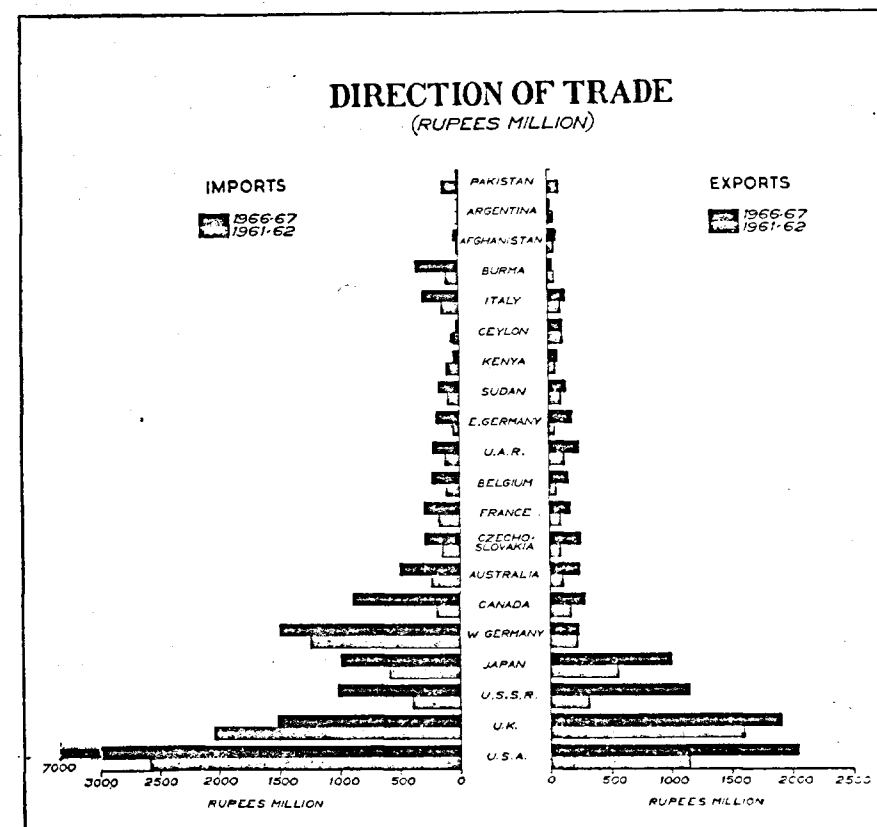
of importance to the developing countries which had not been settled in the Kennedy Round. This was considered in the twenty-fourth session of the Contracting Parties of GATT, when they met in Geneva in November 1967. Some guidelines for dealing with these questions have been provided in the 'Future Work Programme' of GATT adopted at the session.

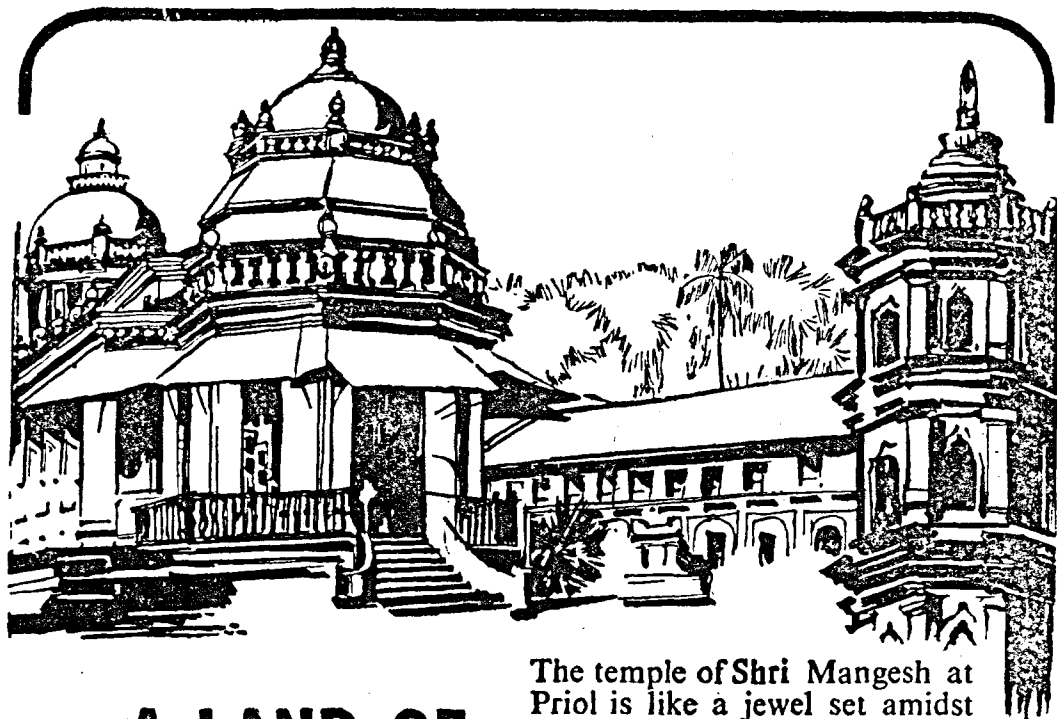
Further international action necessary for urgently resolving these and other problems of developing countries would be considered shortly in the forthcoming session of UNCTAD. This would also provide an opportunity to review the recommendations made in the first UNCTAD held in Geneva in March-April 1964. The Final Act of that Conference included a recommendation that "developed countries should accord high priority in international trade negotiations to maximum reductions in and wherever possible elimination of duties on manufactured and semi-manufactured products of export interest to developing countries". In the light of assessment

of the results of the Kennedy Round, the second UNCTAD would have to consider as to what kind of supplementary efforts need to be organised in the field of trade negotiations for resolving important trading problems of developing countries.

In this context, it may be recalled that in his address to the forty-third session of the Economic and Social Council held at Geneva, U Thant, observed: "Now that the Kennedy Round is over, our efforts must be bent towards creating more favourable trade and aid environment for the developing countries. We can begin to do this at this session in preparation for the Second Conference on Trade and Development, which will assemble in New Delhi in February of next year. It is my fervent hope that the Kennedy Round will be followed by 'New Delhi Round' which will begin the to complete the work that remains unfinished."

The developing countries including India are, therefore, hopefully looking forward to the deliberations of the New Delhi Conference.





A LAND OF PICTURESQUE TEMPLES

The temple of Shri Mangesh at Priol is like a jewel set amidst beautiful green surroundings. The other well-known temples are those of Shri Mhalasa at Mardol, Shri Narsimha at Veling, Shri Shantadurga at Kavle, etc.

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Prospects For Trade

India has close trade relations with South-East Asia since ancient times.

Lately, the trade has tended to decline and fluctuate.

A shift in the pattern can greatly improve the trade. Recently new Indian manufactures are finding a prospective market in this region.

With South-East Asia

H. D. SHOURIE

THE Southeast Asian region occupies a special place in India's foreign trade not only because of geographical proximity, but more so because of the long tradition of our trade. It was with the countries in Southeast Asia that India developed the earliest commercial relations, dating back to many centuries. Powerful stimulus for this trade came from the migration of Indians to countries in this region. The Indian settlers were largely instrumental in developing the early pattern of trade with this region by introducing a variety of Indian goods such as textiles, spices, tobacco; and organising the export of local products like betelnuts and copra to the home country. In the postwar period, however, with the attainment of independence by the countries in this region, this pattern began to weaken. The pre-occupations of the new Governments of these countries, with the programmes of economic development and the reorientation of their trade policies to subserve the needs of rapid economic growth, added a new dimension to India's trade with this region.

Fluctuations in Trade

There are three distinct features of India's trade with the Southeast

Asian region over the past few years. Firstly, the share of Southeast Asia in the foreign trade of India has been declining. During the current decade, this region accounted for only about 4 per cent of India's exports, and 3 per cent of India's total imports, as against about 8 per cent in exports and 7 per cent in imports, about 15 years ago. Secondly, the trade with this region is marked by wide fluctuations. For instance, India's exports to this region ranged between Rs. 22 crore and Rs. 44 crore during the years 1963-64—1965-66. The imports also fluctuated between Rs. 29 crore and Rs. 100 crore. The third feature has been the continuously adverse balance of trade faced by India in its trade with this region, with the exception of 1963-64. The adverse balance in 1966-67 was as much as Rs. 75 crore, that is, more than double the total exports to this region.

These wide fluctuations and deficits have been mainly due to the nature of the commodity trade. Southeast Asia is India's major source for the import of rice and many essential raw materials. Rice alone accounted for over 70 per cent of total imports from the region in 1966-67. The import bill on account of rice was equal to the total deficit in India's

balance of trade with the region during the year. Other important items imported by India from the countries in the region, like lead and tin, raw rubber, copra, raw hides and skins, and petroleum, are of equal importance to us.

In contrast, India's exports to the region traditionally consisted of jute manufactures, cotton textiles, spices, vegetable oils and other primary products, the demand for which is relatively more elastic. In 1950-51, cotton textiles alone accounted for about 65 per cent of India's exports to the region. However, with the changing pattern of trade arising from the domestic manufacturing programmes of importing countries, and in the face of fierce competition offered by advanced countries like Japan, India's position as an exporter of these traditional items has considerably weakened. In items like vegetable oils and spices, exports have suffered on account of internal shortages.

Shift in Emphasis

It is evident that traditional trade pattern in relation to this region, as in the case of other regions, is no longer sustainable, and that a sound basis can be developed only by diversifying India's export pattern. An encouraging trend has recently been in evidence in this regard. There is a steady shift in emphasis from traditional items to new manufactures in our exports to the region. This development promises to turn a new leaf in India's trade pattern.

The rising import needs of the countries of the region, for industrial goods and capital equipment, are being increasingly met by India in a wide range of fields, in terms of quality, technical requirements, as well as price. Items like electric

fans, sewing machines, oil mill machinery, diesel engines and pumps, electric wires and cables, automobile parts and accessories, bicycles and parts, hardware items and some items of heavy machinery, have already found wide consumer acceptance in the region. For instance, out of 60 odd countries to which Indian sewing machines are exported, Malaysia ranks as the best market for India after the U.S.A. Of the total of about 800 diesel engines, valued at about Rs 1.2 crore exported from the country in 1965-66, the Southeast Asian market accounted for about 200, contributing about one-fourth of the total export earnings. Oil mill machinery from India is imported to Burma, Indonesia, Malaysia, Singapore, Vietnam, Philippines and Thailand. India exported about 29,000 electric fans to the region in 1965-66, with Malaysia alone accounting for the largest order of over 25,000. Among other items imported by the region from

India, jute mill machinery, textile machinery, sugar mill machinery, machine tools, buses, trucks, and finished steel products, deserve special mention. From a small beginning of a few hundred tonnes, India's current exports of iron and steel products to the region have risen to the level of about 100,000 tonnes.

Among India's recent export achievements, we can take some pride in having had an important breakthrough in the export of railway rolling stock. In the face of global competition, India has been able to win tenders for the supply of a large number of railway wagons and passenger coaches to Burma and Thailand, despite the difficulties involved in changing over from the Indian specifications. Presently, India is also fulfilling a major export order for the supply of heavy wharf cranes to Malaysia, in addition to the railway travelling cranes already delivered. As early

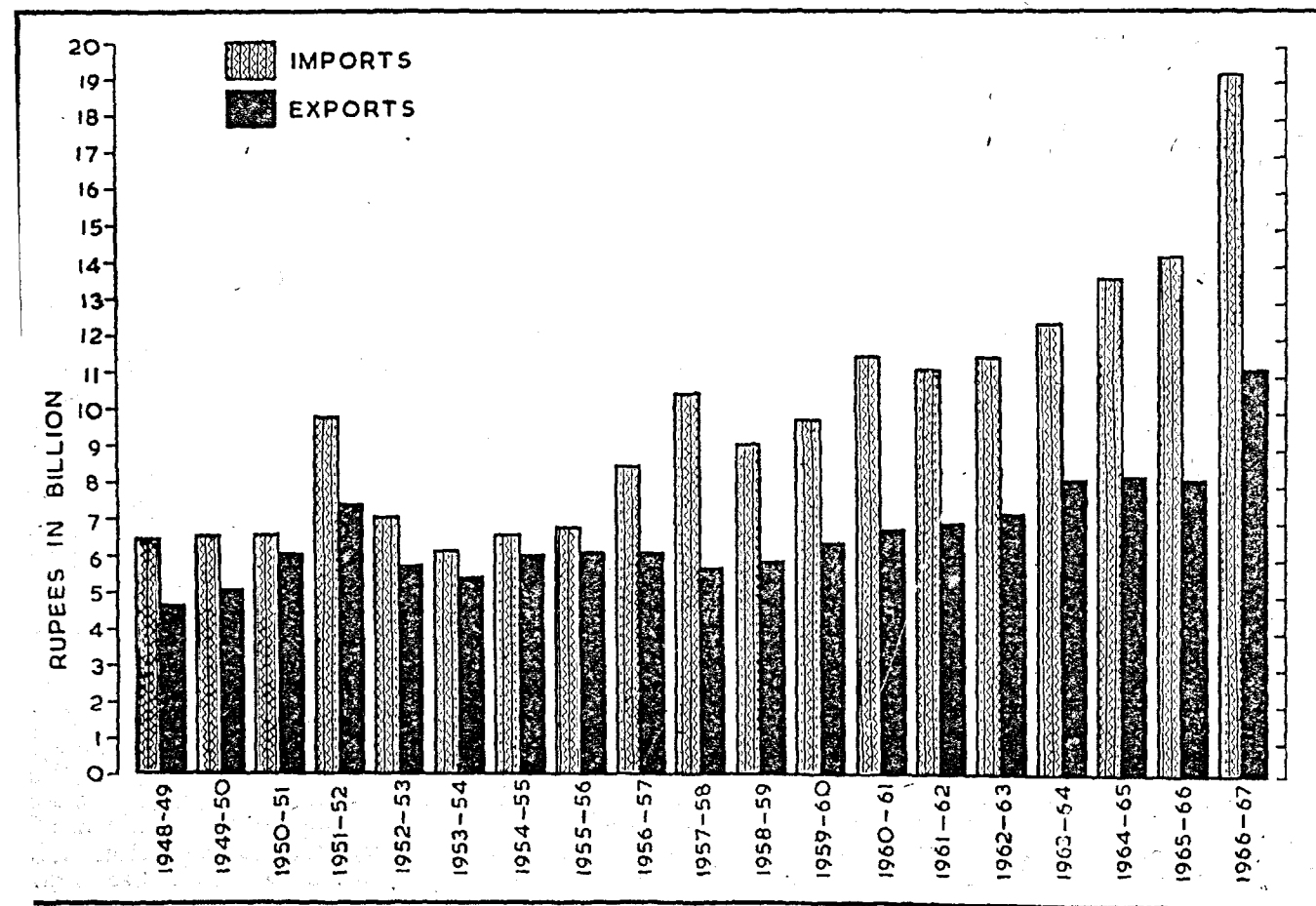
as 1964, India has won a contract for the supply of transmission line towers to Philippines, the designs of which have evoked enquiries from elsewhere. With the biggest Asian factory for the manufacture of transmission line towers located in India and with a new arrangement for undertaking turn-key projects, India is in a position to participate effectively in the power development programmes in this region.

New Items

Even in extremely competitive items like razor blades and soaps, where the competing countries are strongly entrenched, India has been faring reasonably well in some of the most sophisticated markets like Singapore. Typewriters is another new item, where India's export record to the region has been quite impressive, though her share of the market is still small. We have also

turn to PAGE 49

IMPORTS AND EXPORTS OF INDIA 1948-49 TO 1966-67



FOREIGN COLLABORATION IN DEVELOPMENT

INDIA'S NEEDS BECOME SELECTIVE

R. V. RAMAN

India has welcomed foreign private capital to flow into priority areas and in keeping with her Plan programmes. A significant step in promoting foreign collaboration is the establishment of the Indian Investment Centre.

DEVELOPMENT has been the major preoccupation of the countries which have emerged from political subjugation during which they served as mere suppliers of raw materials to the industrial nations. With political freedom was born the desire for improved standards of living and consumption and the urge to catch up with the industrialised nations of the world. These urges and desires could be attained only through ambitious development programmes, involving substantial investments, and though there could be no effective substitute for national effort, the underdeveloped countries soon realised that to supplement their internal resources they required the assistance of developed countries for capital and advanced technical know-how and skills. Foreign exchange was required for the import of capital goods and this could come mostly through their export earnings. With the acceleration of the pace of development, the gap between import requirements and export earnings of developing countries widened and created a serious bottleneck. It was in this context of growing needs for vital external resources that international trade and foreign investment came to be looked upon as two important instruments for promotion of economic development of the developing countries.

International Agencies

Another significant development on the post-war scene has been the international awareness of the need for funds and related problems of the countries emerging into independence. International agencies like the International Bank for Reconstruction and Development and its affiliates, International Development Association and International Finance Corporation, have been in the forefront in rendering financial assistance to the developing countries. These organisations have not only provided the channels for flow of financial resources of the developed countries into the

developing countries but have also paved the way for a much larger flow of private capital into those countries. Capital has also moved into developing economies through bilateral and multilateral agencies set up by Governments of capital exporting countries to channelise official aid.

The first UNCTAD which emerged out of the desire of developing countries for a new pattern of international economic co-operation, concentrated on principles and policies which could make international trade relations and trade policies conducive to development. It, however, attached great importance to the flow of financial assistance, including foreign public and private loans and capital from developed countries to developing countries. It recalled that the United Nations General Assembly had called upon its member-States "to adopt measures which will stimulate the flow of private investment capital for the economic development of the developing countries on terms that are satisfactory both to the capital-exporting countries and the capital-importing countries." It recognised the contribution that direct private foreign investment could make to the economic diversification and development of developing countries and appreciated the role of such investment in bringing the fruits of technical know-how and skills to the developing countries. The first UNCTAD, therefore, called upon the capital-exporting countries to encourage the flow of private investment to developing countries through such measures as tax exemptions or tax reductions and investment guarantees. It also urged the developing countries to provide favourable conditions for direct private investment, "to set up investment bureaux and investment advisory services and to establish and strengthen credit institutions and development banks and to determine and publicise the areas of investment, manner of investment and investment policy." Provision of information on investment opportunities was considered vital.

The Conference had also a word of advice for the foreign investors. It recommended "that foreign private investment based upon respect for the sovereignty of the host country should co-operate with local initiative and capital, rely as far as possible on existing resources in developing countries and should work within the framework and objectives of development plans with a view to supplying domestic markets and, in particular, expanding exports." The Conference expected that "foreign private investment will recognise the desirability of reinvestment of profits in the developing countries concerned as far as possible, availability of know-how to nationals of developing countries and training and employment opportunities to nations of host countries and other corresponding measures."

Foreign Private Capital

The first UNCTAD also spotlighted the vital sector of export-oriented industries in the developing countries wherein foreign private capital could be fruitfully employed. It recommended promotion of integrated programmes of manufacture and schemes of industrial co-operation between developing and developed countries so that industrial groups would set up joint enterprises in developing economies for producing goods required in developed countries. It also urged the industrial groups to refrain from including restrictive provisions relating to the division of export markets in their collaboration agreements. By another recommendation, it urged the provision of technical assistance to further schemes of industrial co-operation and integrated programmes of manufacture aimed at production in developing countries of intermediates, for purchase and use by industries of developed countries. Provision of guidance and information for industrial entrepreneurs regarding investment opportunities in the export industries of the developing countries was another important recommendation.

The first UNCTAD also called upon the developed countries to provide facilities and incentives for public and private investments in the field of tourism in the developing countries and give them appropriate financial and technical assistance.

The second UNCTAD which meets in New Delhi will have before it the Charter of Algiers adopted by the Ministerial meeting of the "group of 77" developing countries. The Charter recognises the importance of the flow of international public and private capital and urges that "each developed country should comply with the target of a minimum of one per cent of its gross national product for net financial flows, in terms of actual disbursements by the end of the Development Decade". The developing countries are advised to encourage private investments by means of incentives and guarantees.

Selective Approach

Recognition of the vital role of foreign investment in the economic development of developing countries which was reflected in some of the recommendations of the first UNCTAD, has been one of the basic principles underlying India's economic policies. India has been

following a selective approach welcoming foreign private capital to flow into priority areas and in a manner which fits into her Plan programmes. Foreign investment has been channelised in such priority fields under the Plans where it has something substantial to contribute in the shape of advanced technical know-how or manufacturing skills or where such investment would help earn foreign exchange by boosting exports or save foreign exchange through substitution for imports.

India has been continuously striving hard to create and maintain a hospitable climate for inviting foreign private capital by allowing repatriation of not only profits and dividends but of capital as well, by offering parity of treatment to foreign-owned and wholly Indian enterprises, and by promising security of capital under the umbrella of its constitutional safeguards and democratic set-up.

Range of Incentives

India has been building up a sound economic infrastructure and establishing a network of specialised term-lending institutions like the Industrial Finance Corporation of India, the Industrial Credit and Investment Corporation of India, the Industrial Development Bank of India and the State Financial Corporation. Its tax structure is built around a wide range of incentives to encourage domestic and foreign investment in priority industries, such as a tax holiday for new industrial undertakings, a development rebate of 35 per cent of the cost of new machinery installed in priority industries and concessional rates of tax on royalties and technical service fees payable to foreign investors under approved collaboration agreements.

India has also entered into tax treaties with many developed countries to avoid double taxation of the same income in two countries. Where this kind of agreement has not been arrived at, it gives some relief on its side. Mention may also be made of the agreements with the U.S.A. and West Germany. The former enables a U.S. private investor to secure from the U.S. Government a guarantee for the convertibility into dollars of the proceeds of sale of their investments or earnings from investments in India in an approved project. The latter ensures the payment of a fair and equitable compensation to German investors in the event of nationalisation, as also for remittances of profits, dividends and proceeds of assets on liquidation. The U.S. investors in India have also been covered by the Extended Risk Guarantee Programme, against all risks (except fraud or misconduct of the investor) up to 75 per cent of their investment in approved projects.

Measures To Attract

The Government of India have adopted in the recent past, several measures to attract foreign private capital. Procedures for obtaining industrial licence to start a joint venture or expand the existing ones have been liberalised. A number of industries have been de-licensed; imports of essential raw materials, components and spare parts for priority industries have been liberalised, and price controls on a number of commodities have been relaxed.

A significant step in the direction of promoting foreign private investment has been the establishment of the Indian Investment Centre in 1961. The main objectives of the Centre are, firstly, to promote wider knowledge and understanding in the capital-exporting centres, of Indian laws, policies and procedures pertaining to investment of private foreign capital and of investment opportunities that may arise from time to time in India and secondly, to advise and assist Indian and foreign entrepreneurs desirous of entering into mutually rewarding joint ventures and technical collaboration agreements.

With two overseas offices in New York and Dusseldorf and a representative in the U.K., the centre has been in a position to serve overseas investors on the spot and facilitate a smooth exchange of ideas. These offices serve as promotion centres from where systematic and sustained campaigns are being carried out for stimulating the interest of foreign entrepreneurs in the opportunities which India offers.

The Centre has now been operating for more than six years and has become an important clearing house of authentic information about investment conditions in India and a service agency for actively assisting and advising the Indian and foreign entrepreneurs in formulating joint venture proposals and technical collaborations within the framework of the policies and plans of the Government of India.

Encouraging Response

The response to the measures initiated by the Government of India for attracting private foreign capital has been encouraging. This is evident from the steep rise in foreign investments from Rs 265 crore in June 1948 to Rs 940 crore in March 1965—a rise of 255 per cent. The largest contributions are from British investment which aggregated to Rs. 529 crore, followed by the U.S.A. at Rs. 193 crore. Other nations with sizeable investments in India are West Germany and Switzerland which account for Rs 25 crore and Rs 18 crore respectively. The flow of capital over the last decade or so has been in diverse fields and in accordance with India's Plan priorities. Investments in the manufacturing sector rose from Rs 71 crore in June 1948 to Rs 459 crore by the end of March 1965. Among the manufacturing industries, the new fields of concentration are metals and metal products (Rs 104 crore), chemicals and allied products (Rs 93 crore), transport equipment (Rs 42 crore), machinery and machine tools (Rs 39 crore) and electrical goods and machinery (Rs 30 crore).

With the increased inflow of foreign capital, the number of foreign collaboration agreements has also increased over the last 10 years. Over the years 1957 to June 1967, the Government of India have approved 2,730 collaboration agreements. In comparison with only 17 agreements in 1956 there were 402 in 1961, 403 in 1964, 242 in 1965 and 261 in 1966. Most of the approvals have been accorded to projects in newer and more complex industries like fertilisers, drugs and pharmaceuticals, synthetic fibres, heavy and light electricals, industrial machinery and transport equipment where both foreign exchange and know-how are vital to carry out our development programmes. There

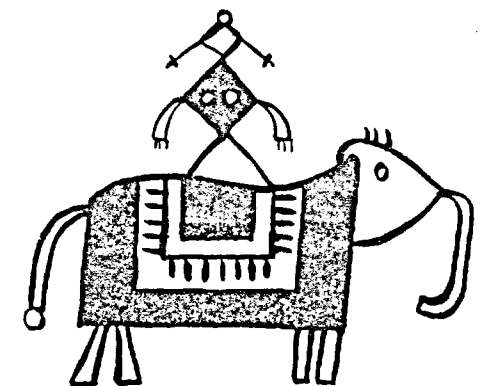
were 786 collaboration agreements for the manufacture of machinery (other than transport and electrical) and 422 in the field of electrical machinery whereas transport equipment, basic industrial chemicals, and machines and pharmaceuticals accounted for 90, 52 and 56 agreements respectively. Of the agreements approved, 749 were with firms in the U.K., 489 with firms in the U.S.A., 407 with firms in the Federal Republic of West Germany, 236 with firms in Japan, 129 with firms in Switzerland, 98 with firms in France and 74 with firms in Italy.

The modern industrial technology and skills and sophisticated plant and machinery imported under the collaboration agreements have transformed the Indian industrial scene. It is no longer dominated by plantations, consumer goods and extractive products. The industrial base has been diversified to include petroleum refining, light and heavy engineering and chemicals and petrochemicals.

Foreign collaboration has also helped in the emergence of a new, forward looking class of technicians, managers, and entrepreneurs. Hundreds of Indians have been abroad and have returned with training in advanced technology and in handling the most sophisticated machines in factories of foreign collaborators. New ideas on management and marketing have also gone into the making of joint venture organisations. These developments have further stimulated industrial growth.

The industrial upsurge witnessed on the Indian scene has, however, not been fully reflected in India's exports. Semi-manufactures and manufactures have not yet entered the field in a big way. The contribution of foreign collaboration towards the diversification of India's exports has not been significant. In fact some of the earlier agreements had some clauses prohibiting exports. Of late, however, there has been some emphasis in the collaboration agreements on exports.

With the industrial progress and development of indigenous technology in various lines, India's needs of foreign technology and capital have become more selected and foreign collaboration has a significant role to play in such fields as fertilisers, electronics and petro-chemicals and export-oriented and import-saving industries. India, therefore, looks forward to the deliberations of the second UNCTAD in the hope that concrete measures will emerge for the promotion of foreign private investments in developing countries.



PHILIPS INDIA, a national company constantly aiming at self-reliance

Local skills, local resources and local management have built Philips India into a national organisation. The small mail order house of 1930 is today an integral part of the Indian Industry with plans, policies and activities closely linked to national goals and aspirations.

Philips India, with six factories located in different parts of the country, manufacture—to international standards—a versatile range of consumer and professional products which serve the common man, and science and industry. Almost all of the components for these products—many of them sophisticated—are locally made.

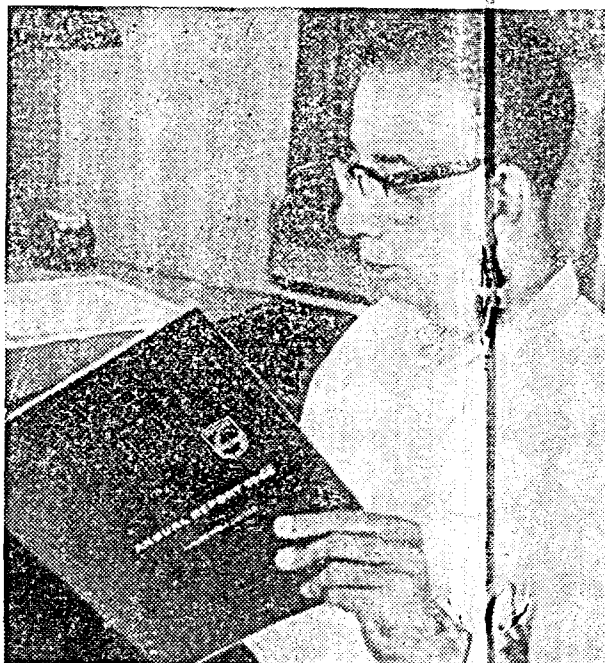
Philips India help others practice self reliance too

Philips India make vital components not only for their own use but also for other manufacturers in the electronics and lighting industries, and thus help them rely on import-substitution, save valuable foreign exchange.

Another way in which Philips India demonstrate their belief in encouraging local skills is by assisting a number of small independent manufacturers to make some of the essential



components for Philips products. Philips India provide them with designs, technical know-how and supervision and, in turn, demand that every single item manufactured meets their exacting specifications. These 'third party' suppliers, as they are called in Philips, play an important role in the Company's manufacturing programme.



Self-reliance in Philips India is a many faceted activity

Self-reliance for Philips India goes much further than just creating indigenous sources of material. Barring a handful of foreign experts, all of the Company's 5,000 employees at the levels of management, supervisory staff and workers are Indian. The foreign experts, drawn from the worldwide Philips organi-

sations, train Indians for key jobs and help them acquire advanced skills in technology and management practices.

More than 14,000 Indians, who own shares in Philips India, are partners in progress of this Indian Company. Their money has helped finance the dynamic growth of the organisation over the last decade. The Philips shareholder is satisfied that he is associated with a Company whose roots go deep into the Indian economy, whose growth is closely linked with the nation's development.

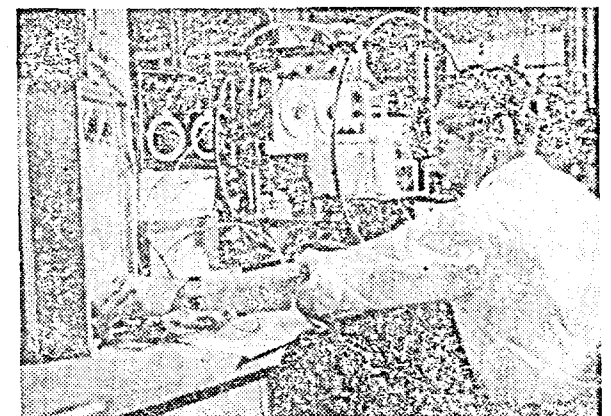
Research at Philips India

In every phase of Philips India's development, in the relentless search for self-sufficiency research has played an important part. In their development laboratory and particularly in the chemical laboratory, which has its units in all Philips India's factories, Indian technicians backed by the know-how of Philips'

international associates, have found and developed many substitutes for imported material.

The Future

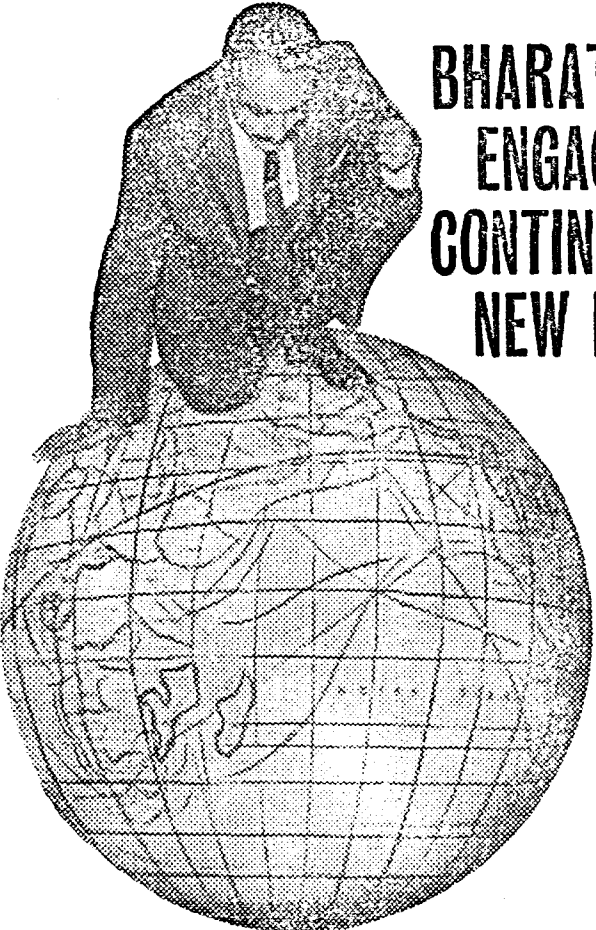
Philips India are never complacent about their achievements. They look towards higher ideals, higher standards, greater self-sufficiency. Philips India are working to one end—to attain complete self-sufficiency for themselves and to help others in the industry achieve it. At the present rate the day is not far off.



PHILIPS

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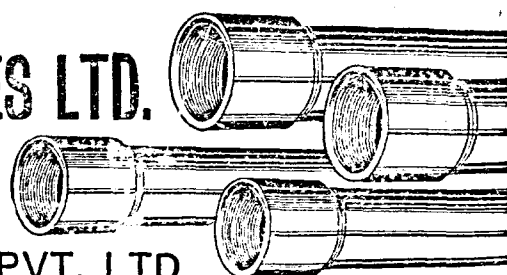
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INDIA SETS UP 43 JOINT INDUSTRIES ABROAD

J. BANERJEE

India can make available to other countries the services of scientists, engineers and technologists.

"PROGRESS through partnership" an erstwhile slogan has, of late, become an economic must. The idea gained particular emphasis after the second World War. However, participation in setting up joint industrial undertakings in foreign countries has so far been, and probably still remains, the almost exclusive preserve of the relatively advanced nations.

The emergence of newly independent countries and a keen desire on their part for economic betterment is slowly changing the pattern. A common political philosophy and the general desire of the more advanced among the developing countries to assist the less developed ones has resulted in mutual co-operation between them, and industries have been set up as part of the development programmes of the country of investment.

Collaboration by the investing country has generally taken one or more of the following forms: (i) diversion of fluid funds from the collaborating country; (ii) export of capital goods from the collaborating country as part of its equity investment; and (iii) supply of requisite technical know-how by the foreign collaborator.

The history of foreign investment is, however, full of instances of investors taking unfair advantage of the opportunities open to them.

The concentration of foreign investments in plantations and similar industries, exercising control over executive and technical management in case of manufacturing industries, and the repatriation of a major part of dividends back to their respective countries were evidence of the one-sided approach adopted until recently by foreign investors.

Economic Philosophy Takes A Good Turn

The economic philosophy, as far as this is concerned, appears to have taken a turn for good. In this connection, mention may be made of some of the economic principles which should, as a rule, govern foreign collaboration:

- (a) the foreign collaborator, as far as possible, should have only minority participation in the venture, leaving the majority holdings with local investors;
- (b) the foreign collaborator, besides catering for the know-how requirements of the project, must have some capital participation as well. This is imperative so as to avoid the likely impression in the recipient country that the foreign collaborator has nothing at stake in the project;

CANADA

Hardboard Factory

CEYLON

Manufacture of sewing machines
Manufacture of bicycles
Electro-static Tea leaves/stalk separator machines
Glass Factory
Manufacture of PVC Leather Cloth

COLUMBIA

Manufacture of twist drills

EIRE

Manufacture of Nylon Bristles

ETHIOPIA

Textiles
Razor blades
Soaps
Woollen Textile Mill
Plastic Processing Plant
Clock Assembly Plant
Subscribing to the share Capital of M/s Fibre Share Company of Ethiopia

GHANA

Manufacture of small wheel-type agricultural tractors and other engineering products

IRAN

Manufacture of spare parts, automotive components etc.

IRAQ

Manufacture of Concentrates for soft drinks

KENYA

Textiles
Gripe water plant
Pharmaceutical plant
Manufacture of printing inks and other allied products
Woollen Textile Mill
Manufacture of fluorescent fixtures and accessories
Light Engineering Complex
Cork Factory

LEBANON

Pesticidal Formulation Unit

LIBYA

Pipes Factory

MALAYSIA

Manufacture of steel furniture

NIGERIA

Engineering goods
Textiles
Solvent Extraction Plant
Palm Kernel Crushing Plant
Razor blade factory

N. IRELAND

Asbestos Cement Product Plant
Light Engineering goods factory

SAUDI ARABIA

Manufacture of refrigerators, air-conditioners, air coolers etc.
Asbestos Cement Products Plant
Vanaspati Plant

SINGAPORE

Manufacture of Fluorescent fixtures and electrical appliances

U.K.

Asbestos Cement Products Plant

ZAMBIA

Enamel manufactures
Construction Company

(c) management. control of the project, can at best, vest in the foreign collaborator, for a short period, to be eventually handed over to local parties. To facilitate easy switchover, training facilities should be afforded to local technicians by the collaborating foreign partner; and

(d) the foreign collaborator should propose turn-key jobs to reduce the responsibilities of the local partners.

Mention may also be made of a few factors which are necessary for the successful implementation of a foreign collaboration project :

(i) If the collaboration agreement entails the supply of machinery and equipment to the country of investment, it is necessary that the machinery supplied should be of a quality similar to its foreign make ;

(ii) the prices of machinery should be internationally competitive; and

(iii) at the recipient end, suitable facilities must be afforded for protecting the new enterprise, at least in the initial stages. This may be done by granting tax holidays during the first few years of operation and by permitting repatriation of dividends and capital without any difficulty.

It is obvious that any collaboration based on these principles will be beneficial, not only to the collaborator, but also to the recipient country. As for the host country, joint ventures enable it to obtain capital and technical know-how which are the pre-requisites of economic growth. It also helps the country to save foreign exchange, which would normally have to be spent on imports necessary for the project as well as for the setting up of ancillary industries. On the other hand, the investing country is provided with recurring export outlets for capital goods, spares, components, etc. Also, besides gaining from dividend repatriations, the country's image as a matured economy is forcefully projected. The developing nations can no longer continue to rely on conventional methods of trading and the newer techniques of trade demand

that they must actively participate in setting up joint industrial ventures abroad in as large numbers as possible.

As far as India is concerned, the country has made great progress in industrial development in the last 18 years. There has been significant expansion in the production of a wide range of producer and consumer goods. At the same time, a new class of industrial entrepreneurs and managerial personnel has come up. Over a wide area of industry, a stage has been reached where further development can take place, to a larger extent, only through indigenous know-how and machinery and without dependence on outside aid.

India's Image as A Collaborator

The necessity of finding out possible markets for our capital goods, which would bring in much needed foreign exchange; and the desire to assist in the development of the newly independent Afro-Asian countries has prompted Indian industrialists to collaborate in setting up industrial enterprises abroad. India's image as a purely recipient country, as far as foreign collaboration is concerned, is thus gradually changing. Instead, it is slowly emerging as a resurgent nation capable of promoting industries, like engineering and textiles, in other countries. There are numerous other fields in which Indian entrepreneurs can share their experience and expertise, skill and technology with their foreign counterparts, both in the developed and developing countries.

The economic and other problems facing India and some of the developing countries in Asia and Africa are similar. In all these countries, industrialisation should aim at absorbing unutilised labour to the largest extent possible. For this, machinery and equipment developed with Indian technical know-how, being more labour-oriented than those made in more sophisticated countries where labour is more scarce and expensive, are more suitable. In India, the facilities for technical education and training have been increased enormously, and we are in a posi-

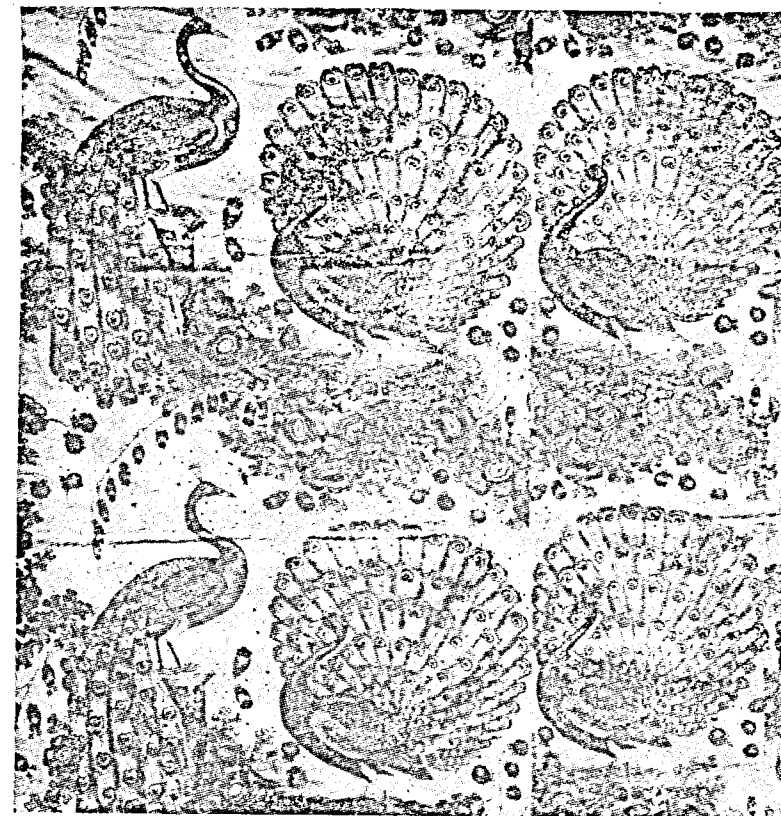
tion to make available to other countries the services of scientists, engineers, technologists, who are being trained in increasing numbers.

Considerable progress has already been made in this direction, and as many as 43 projects have either been set up or have been approved for the purpose, in different parts of the world. Apart from the Government of India's anxiety to help the comparatively under-developed countries to industrialise, Indian industrialists are shedding narrow commercial interests, and are coming forward to collaborate in more and more industrial enterprises overseas. "Entrepreneurial adventurism", which is the motive force of industrial ventures overseas, is now increasingly evident. Some of our industrial houses which have had varied experience in manufacturing industries and have not lagged behind their more progressive counterparts in other countries, are entering overseas markets. As a result of this, projects ranging from the simple asbestos cement products plants to the more sophisticated plants producing engineering goods, are coming up in different parts of the world in collaboration with Indian industrialists. The countries covered range from the developing African countries to some advanced countries like Canada, the United Kingdom, Northern Ireland.

It is heartening to note that some of the projects set up with Indian collaboration are already in operation in overseas countries and are catering for the needs of those countries. Among these, special mention may be made of the textile and woollen textile mills in Ethiopia; the sewing machine and electric fan factory in Ceylon ; the pipe factory in Libya; the hardboard factory in Canada; the textile mill, the gripe water factory, and light engineering complex in Kenya and the asbestos cement products factory in the United Kingdom.

Among all the industrial units set up abroad with Indian collaboration, the most outstanding is the hardboard factory in Nova Scotia (Canada). It has a capacity of 50,000 tonnes per year, and the

turn to PAGE 49



Shifts In World Trade of Cotton Textiles

BHASKAR G. KAKATKAR

International trade in cotton textiles has been virtually stationary, but exports from developing countries have increased. But India has not benefited from this favourable shift.

Rich countries have gone in for man-made fibres on a massive scale.

If India has to get back its place in world trade, it must increase cotton production and bring down costs.

INDIA'S EXPORTS SHOW A DOWNWARD TREND

WORLD exports of all goods have progressively gone up in recent years. Between 1961 and 1966, they have risen from \$ 118,600 million to \$ 181,400 million, showing an average increase of 6 per cent a year. Even in 1967, which was a year of recession for many countries, world exports appear to have maintained the upward trend. Thus in the first half of 1967 (for which figures are available at the time of writing), world exports ran at the annual rate of \$ 189,500 million, as against \$ 177,500 million in the corresponding period of 1966, showing an increase of 6.7 per cent.

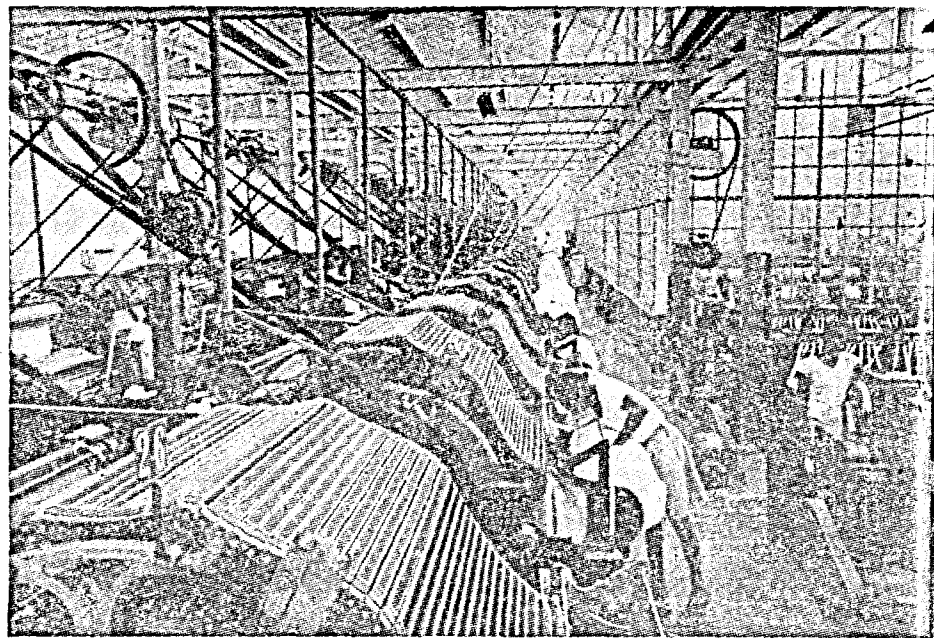
In contrast to this general trend, international trade in cotton tex-

tiles (yarn, fabrics, household made-up articles and related products, excluding cotton clothing) has been virtually stationary, the year-by-year trend being somewhat erratic. Exports fell by 5 per cent in 1961 and by 3.5 per cent in 1962. There was a further fractional fall in 1963. This was followed by increases in the next three years by 6.5 per cent, 1.5 per cent and 4 per cent respectively. Even so, the exports in 1966, valued at an estimated \$2,400 million, were only marginally above the peak level attained in 1960. But such information as is available on world trade in cotton goods in 1967 points to a substantial fall. Indeed it is doubtful whether the upward trend noted in the three

years preceding 1967 would have materialised at all but for the large purchases by the U.S. on account of the Viet Nam war.

Although there has thus been practically no increase in world trade in cotton textiles, there have been some significant changes in its direction. According to a recent survey by the GATT, the volume of exports of cotton yarn from the developed countries, which are parties to the Long-Term Arrangement (LTA), declined by 21 per cent and of woven cotton fabrics by 13 per cent over the period 1960 to 1965, whereas exports of the same items from the developing participating countries increased by 22 per cent and 10 per cent. This growth in the case of the latter group of countries stems from the increases in their production of cotton goods—25 per cent in yarn and 15 per cent in cloth. In the group of developed countries, however, there has actually been a fall of 7 per cent in woven cotton cloth production and only a fractional rise in the output of yarn.

This does not necessarily mean that the rich countries have consciously made a sacrifice in favour of the poor countries, for instead of cotton, they have gone in for man-made fibre textiles on a massive scale. In man-made fibres, they have distinct advantages and a great lead over the developing countries. They have the capital, know-how, raw materials, and, what is more, markets for the rapid development of textiles made of man-made fibres. In 1966, world production of man-made fibres, almost the whole of which is accounted for by the developed countries, went up by about 8 per cent on top of about the same rate of increase in 1965. And exports of man-made fibre textiles in 1966 grew at a faster rate than production, 10 per cent in yarn



A modern textile mill in Coimbatore, Madras State

and over 8 per cent in woven fabrics.

The directional shift in world trade in cotton textiles in favour of the developing countries has not been of any benefit to India. On the contrary, the trend of exports of Indian cotton goods has been more or less similar to that of world trade in cotton textiles, as will be evident from the following table.

It will be noted that exports of Indian cotton textiles followed a downward trend in 1961 and 1962 and then improved in the subsequent three years only to decline in 1966 and still further in 1967. The level (in terms of value) attained in 1960 was crossed in 1964 and improved upon in 1965 but, thereafter, the curve took a dip successively in the following two years.

The main reasons for this continued setback are the rising cost of production and growing competition

from a number of exporting countries, such as Japan, Hong Kong, China, Spain, Portugal, Taiwan, Brazil and Mexico. The establishment of cotton mills in a number of Asian and African countries which were once substantial importers of cotton textiles was also a factor responsible for the drop in India's textile exports.

The sharp rise in production costs was due to (1) shortage of cotton caused by the fall in domestic output and (2) rising wages occasioned by the ever-rising cost of living due partly to heavy inflationary pressures in the country and partly to shortfall in food production. These factors were beyond the control of management.

Before the devaluation of the rupee in June 1966, exports were being sustained by a scheme of export incentives, but this scheme was abolished after the devaluation. For a number of our markets, devaluation did not prove adequate. Besides the post-devaluation period was characterised by a worsening of the inflationary pressures and raw material position as just mentioned. Consequently the second half of 1966 and the major part of 1967, proved a disastrous period for cotton textile exports.

In the last quarter of 1967, there was a slight improvement in exports, thanks to the reintroduction

of the incentive scheme, on a modest scale. This scheme is being operated by the industry collectively on a voluntary basis by levying a special charge of Rs 200 per bale of certain varieties of foreign cotton. This at best can only be a palliative and cannot be relied upon for long. The only way in which a sustained improvement in exports can be brought about is to bring down the production costs. This is a major problem, to which I shall revert, presently.

India's Share in World Trade

India's share in the world trade in cotton textiles (excluding clothing) is roughly five per cent. The share is higher if the world trade in cotton piecegoods alone is taken: It has been ranging from 7.5 per cent to 9.0 per cent. Japan has consistently held the first place, ever since its rapid recovery in the first half of the fifties. India was holding the second rank for a number of years after it was overtaken by Japan, but, in the last few years, it has slipped down to the fourth place, with Hong Kong and Communist China taking the second and third places, respectively. The lead obtained by Hong Kong over India is very considerable if all cotton textiles are taken into account and not piecegoods only. Data pertaining to China's exports of textiles are not clear, with various sources mentioning various figures. But all accounts go to show that, in the past few years, China has been selling abroad more textiles than India. A Japanese estimate puts the exports of cotton cloth alone in 1966 at over 700 million square yards, as against India's 507 million square yards.

India's cotton textile exports constitute about 10 per cent of its production. The principal markets for Indian cotton goods are provided by the developed countries—the U. K., the U. S., Canada, Australia, New Zealand, Russia, and the Continental Europe—and it is to these countries we have to look primarily for growth in the coming years. The country has enough capacity and experience to export more, provided it can regain the advantageous position it had over its competitors in regard to raw cotton and labour.

Moreover a year now, Indian

cotton has been out of world party and the only way in which this handicap can be overcome without detriment to the interests of cotton growers is to secure higher production of cotton per acre. The high cost of labour per unit of production has to be brought down by raising the productivity of workers through modernisation of equipment and rationalisation of work-loads. Introduction of more automatic looms, high speed spindles, and up-to-date finishing equipment is a must not only for enhancing the workers' productivity but also for improving the quality of the goods. Quality is as important a consider-

ation as price in this highly competitive business. Rigorous inspection by producers for ensuring quality standards and constant survey of the foreign markets are therefore vital for expanding the exports. A suitable amendment to the fiscal policy to enable refund of all indirect taxes that are not now rebated will also be helpful. The implementation of all these suggestions calls for close cooperation and understanding among the three parties concerned, namely the industry, labour and the Government. It is to be hoped that these will be more readily forthcoming than has been the case so far.

TRADE WITH SOUTH-EAST ASIA

from Page 38

successfully penetrated some of the Southeast Asian markets in surgical, medical and other precision instruments, medicinal and pharmaceutical products, rubber manufactures, petroleum products, and certain new items such as dyestuffs. In synthetic fabrics, the Southeast Asian zone has some of the best customers for India.

Sometimes the developing countries are reluctant to import heavy capital equipment except as parts of a project for starting a factory or a plant. Usually this involves undertaking turn-key projects and collaborating with local entrepreneurs. In both these respects, India has made good beginning. Already a number of leading Indian firms are collaborating with local capital in setting up industries, ranging from textile mills to the production of chemicals, in this region. Recently, India has been among the leading countries trying to win a tender for the supply of two complete cotton spinning and weaving plants to the Industrial Development Corporation of Burma.

There is a developing interest among the Southeast Asian countries to avail themselves of India's technological advance in a number of fields for establishing local industries. These developments

promise to usher in a new era in the trade relations between India and the Southeast Asian region.

43 JOINT INDUSTRIES

from Page 46

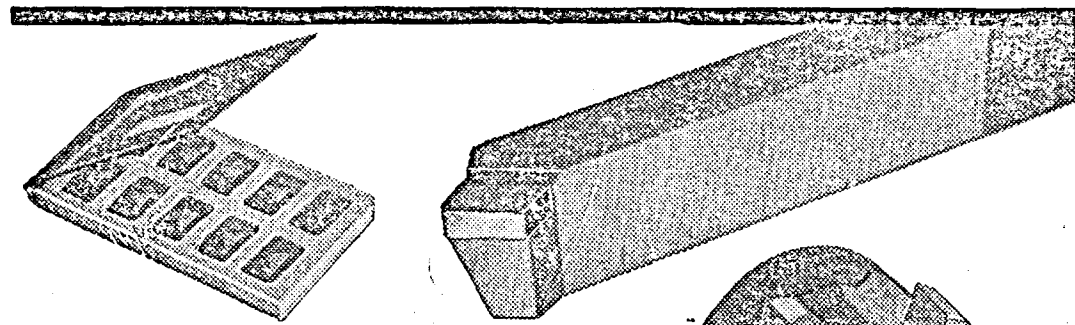
capital outlay on the project is more than 9.5 million dollars. The plant which was commissioned in a record period of one year, has the largest hardboard press in the world, and is capable of increasing its production to 1,50,000 tonnes a year. The factory employs several Indians in key positions. Its importance, apart from other things, lies in the fact that it has strengthened the commercial ties between India and Canada.

A developing country learns through the process of trial and error. But it can take advantage of the experience of developed countries. India is extending every help and co-operation to those countries which can benefit from her experience. This co-operation is not only to our mutual advantage, but is prompted by India's policy to extend help without any desire to profit unduly by collaboration in the field of industrial development. Thus, this form of collaboration is doubly beneficial; it benefits those that give and those that take.

Year	Mill-made cloth		Yarn		Total foreign exchange earnings through exports of all cotton textiles (million \$)
	Qty. (million metres)	Value (million \$)	Qty. (million Kgs.)	Value (million \$)	
1960	635.36	114.88	6.41	7.78	146.42
1961	525.14	96.95	7.14	7.83	126.27
1962	464.85	83.91	10.42	11.10	119.11
1963	485.69	86.15	13.55	13.00	135.29
1964	502.87	102.61	12.37	12.34	150.69
1965	506.85*	99.24	12.75	12.65	156.37
1966	424.33	80.53	16.20	14.02	128.86
1967	389.76	75.31	10.59	9.48	115.04
Estimated					

*Since April 1965 the quantity of cloth is in million sq. metres.

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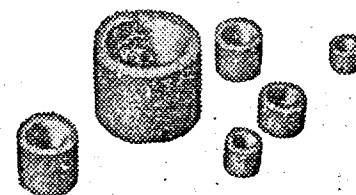


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TIME FOR INDIA-PAKISTAN TALK ON JUTE

R.P. GOENKA

THE world trade in jute goods highlights some of the important problems of the interrelation of trade and development, with which UNCTAD is intended to come to grips. Two developing countries, India and Pakistan, lead in the production and export of jute goods. They together account for 53 per cent of world production and 90 per cent of world export. Jute goods account for about a fourth of India's export earnings and about 15 per cent of Pakistan's. If raw jute exports are included, the proportion for Pakistan will rise to about 55 per cent.

The small share of world production outside India and Pakistan is distributed among a large and increasing number of countries, both developed and developing. The former include the United Kingdom, France, West Germany, Belgium, Italy, the Netherlands, Spain, Portugal, Austria, Sweden and Japan. Developing countries which have either established or are in the process of setting up jute manufacturing capacity include Egypt, Brazil, Argentina, Cuba, Uruguay, Nicaragua, Chile, South Africa, Ghana, Nigeria, Zambia, Kenya, Ethiopia, Tunis, Thailand, Cambodia, Malaysia and Indonesia. With the exception of Thailand and, to a small extent Brazil, none of these countries has any sizeable amount of indigenous fibre. Their jute mills are, therefore, dependent on imported raw material or on coarse allied fibres like kenaf.

While production is centred in two countries, the market for jute

India and Pakistan together account for 53 per cent of world production. They have a common stake in the future of the industry. Political differences should not prevent a joint effort in checking inroads of synthetics on markets for jute goods and exchanging technical know-how.

Imports of jute goods into the E.C.M. countries are discriminated against. A phased programme to eliminate all import restrictions will have to be accepted.

manufactures is world-wide. In the traditional form of the world's cheapest and most widely used packaging material, jute goods are primarily imported by countries producing a large volume of agricultural commodities like the United States, the Soviet Union, Australia, New Zealand, Canada, Argentina and the United Kingdom. Smaller quantities are exported to a large number of other countries.

More recently, new uses for jute, apart from packaging, have been developed, the most important being the use of wide hessian as backing for tufted carpets. This speciality product now accounts for almost a fifth of India's export earnings from jute goods.

The trade in jute manufactures thus brings to the fore two important sets of problems, one relating to trade between developed and developing countries and the other to trade and economic co-operation among developing countries.

EXPORTS NOT IN STEP WITH CONSUMPTION

In regard to trade with developed countries, it should be noted that India and Pakistan are engaged in planned economic development. Both have received substantial aid for their development programmes from the industrially advanced nations and look forward to even

greater aid commitments in the future. In both, the ability to service the external payments liabilities arising out of aid is linked with their capacity to earn the necessary foreign exchange through exports. It is therefore a matter of grave concern to both countries that their exports of jute manufactures have not kept pace with the growth of world consumption of jute goods or with the world's need of packaging and other potential uses of jute goods.

One reason for this is the growth of bulk handling and synthetic substitutes for jute fabrics. This is a very real danger, but the only effective way to meet it is for the jute manufacturing countries to modernise, rationalise and diversify their production techniques and to offer consumers abroad jute products that will be cheaper and better than any substitute. Developing countries cannot and do not expect that the pace of technological advance will be held up to enable them to keep up their exports.

The existence of jute mills in developed countries stands on an altogether different footing. These industries are artificial, hot-house growths, without any basis of comparative advantage, entirely dependent on imported raw material and only able to survive through heavy protective tariffs and quantitative restrictions on imports.

MAJOR OBSTACLES AND DISCRIMINATIONS

In such circumstances, negotiations for trade liberalisations under the General Agreement on Tariffs and Trade can yield, at best, meagre and halting concessions. All moves towards freer import of jute goods encounter opposition from the domestic industry whose survival depends on the continuance of protection. Typical of such practices is the "mark-up" imposed in the United Kingdom on imported jute goods. In spite of some relaxation since 1963, this remains a major obstacle to exports to that country.

Similar in nature are the restrictionist and discriminatory policies followed by member countries of the European Economic Community. Imports of Indian and Pakistani jute goods into the Common Market countries are subjected to high tariffs and are discriminated against, as compared to jute goods produced in European countries.

The Kennedy Round of tariff negotiations held last year at Geneva have produced only some minor concessions of little practical importance. The duty on sacking, very little of which is used in the EEC region, has been reduced from 23 to 15 per cent and that on heavier hessian from 23 to 20 per cent. Apart from jute manufacturing countries, the U.S.A. has agreed to eliminate the duty of 1/2 cent per lb. on jute fabrics and reduce that on jute bags and sacks by 50 per cent. The import duty on jute goods was reduced by Denmark at earlier stages of the Kennedy Round talks. Norway has offered to abolish the duty and Sweden to reduce it from 11 to 8 per cent. Japan has also agreed to lower its import duty on jute goods from 25 to 20 per cent.

If the trade relations between developed and developing countries are to be put on a meaningful basis, this sort of hard bargaining, culminating in small concessions will not do. The advanced countries have to recognise that in any rational system of international specialisation, their jute manufacturing industries can have no *raison d'être*. A phased programme for the elimination of all import restrictions on jute goods, tariff and quantitative, has to be accepted and implemented, without the phases being inordinately prolonged. In the expanding economies of European countries, such a change could be effected without serious disruption. Moreover, by maintaining the prices of jute goods at artificially inflated levels, these countries are inadvertently encouraging the switch from jute goods to synthetics, thus hastening the eventual elimination of their jute industries and, in the process, creating difficulties for developing countries like India and Pakistan.

There is even less justification for the levy of import duties on jute

goods by developed countries which have no domestic jute manufacturing industry that needs to be protected. The meagre revenue from these duties has to be set against the overriding need to help developing countries not only with aid, but with the opportunity to expand their export trade to enable them to meet the liabilities arising out of the aid they have received.

JUTE MILLS IN DEVELOPING COUNTRIES

Trade relations among developing countries stand on a somewhat different footing. In recent years there has been a growing awareness of a community of interest among such countries and of the need for a common approach to problems of aid and trade with the developed countries. Under the auspices of UNCTAD, a Committee of Experts studied the scope for trade expansion and economic co-operation among developing countries. At Algiers a few months ago, representatives of developing countries discussed their common problems and the need for co-ordinated action on the issues to be discussed at the Delhi meeting of UNCTAD.

A significant point that emerges from the report of the Committee of Experts is that "Co-ordination of investment and production programmes would lead to a more rational division of labour among developing countries and would widen the scope for efficient investment".

Against this background, it may be asked whether the tendency for a large number of developing countries in Asia, Africa and Latin America to set up jute manufacturing capacity could be regarded as conducive to "a more rational division of labour" in the developing world. In most cases, such jute mills have no natural advantages and are dependent on imported raw material. Any import-saving thereby secured, is at the expense of the exports of the developing countries, namely India and Pakistan. For developing countries as a whole vis-a-vis developed countries, such industrial growth makes no contribution towards the reduction of payments deficits or the achievement of international equilibrium. All that happens is

that some developing countries derive an advantage at the cost of others.

There can be no doubt that this represents a misallocation of resources on the part of such countries. Since India and Pakistan have overwhelming natural advantages in jute manufacture, any such industry set up elsewhere will be uneconomic and can survive only in a sheltered home market from which imports are excluded.

It would be more to the advantage of these countries, as well as in the common interest of all developing countries, that their industrial development should proceed along lines that would reduce and eventually eliminate their dependence on imports from developed countries. India is in a position to offer technical know-how, capital equipment and even financial collaboration, if necessary, to other developing countries for this kind of industrial development. The Delhi session of UNCTAD provides an opportunity for developing countries to explore the scope for co-ordination of investment and trade policies in such a way that instead of getting in each other's way, these policies can yield the greatest advantage to the developing countries as a whole.

EXPLOSION OF A MYTH

There is a widespread impression among developing countries that jute manufactures, like cotton textiles, are the best way for a backward country to take the first steps on the road to industrialisation. This might have been true in the past, but modern technology has already wrought a transformation in the processes and equipment of both these industries. The myth has been exploded that a developing country must re-enact the history of industrial progress, from primitive to modern. On the contrary, precisely because saving and capital accommodation are exceedingly painful in a poor country where the pressure of current need is very great, it is necessary that the resources thus created should be used so as to yield the greatest possible return. As Professor Galbraith says: "It is a mark of wise development planning to copy from the countries in the more

advanced stages" This is the advantage enjoyed by countries that start their development after others have already blazed the trail. The newcomers can take advantage of what has been marked out, often with great labour and cost, by those who have gone before.

Judged by this criterion, jute manufacture cannot be regarded as the best use for a developing countries scarce resources. It is a survival from the early period of the industrial revolution, which is being rapidly left behind in the advance of modern technology. Its future is bleak, unless it can achieve a breakthrough in technology, for which most developing countries are by no means well-placed. India and Pakistan, for historical reasons, are stuck with this industry and must do the best they can with it. Other developing countries, on the threshold of industrialisation are in a position, given proper guidance and a well-planned investment programme, to use their productive resources, more efficiently so that the gap between backwardness and modern technology can be bridged in the shortest possible time.

PRODUCTION OF JUTE GOODS

	India	Pakistan	Rest of the world	Total
			(in '000 tonnes)	
1949-50	872	—	425	1297
1950-61	1041	119	898	2058
1961-62	1114	276	1391	2791
1962-63	1269	303	1302	2874
1963-64	1302	336	1454	3092
1964-65	1410	294	1345	3049
1965-66	1326	414	1372	3112
1966-67	1234	410	1466	3110

EXPORTS OF JUTE GOODS

	India	Pakistan	Rest of the world	Total
			(in '000 tonnes)	
1950	88.1	—	11.9	782
1951-60	80.9	6.7	12.4	1024
1961	73.1	19.7	7.2	1039
1962	71.7	19.1	9.2	1219
1963	69.4	18.6	12.0	1260
1964	65.8	16.5	17.7	1414
1965	69.4	21.1	9.5	1339
1966	60.1	29.2	10.7	1242
1967	61.0	28.9	10.1	1267

India and Pakistan have a common stake in the future of the jute industry. Political differences should not be a bar to constructive joint effort, for example in checking the inroads of synthetics into the markets for jute goods, in the development of specialities that open out new uses for jute, in the exchange of technical know-how and

the results of market research. In the industry of each, there is a growing awareness that the other is there to stay and that each will have to learn to live with the other. The time is ripe for a fruitful dialogue between the Indian and Pakistan jute industry on how best to work together for the good of both.

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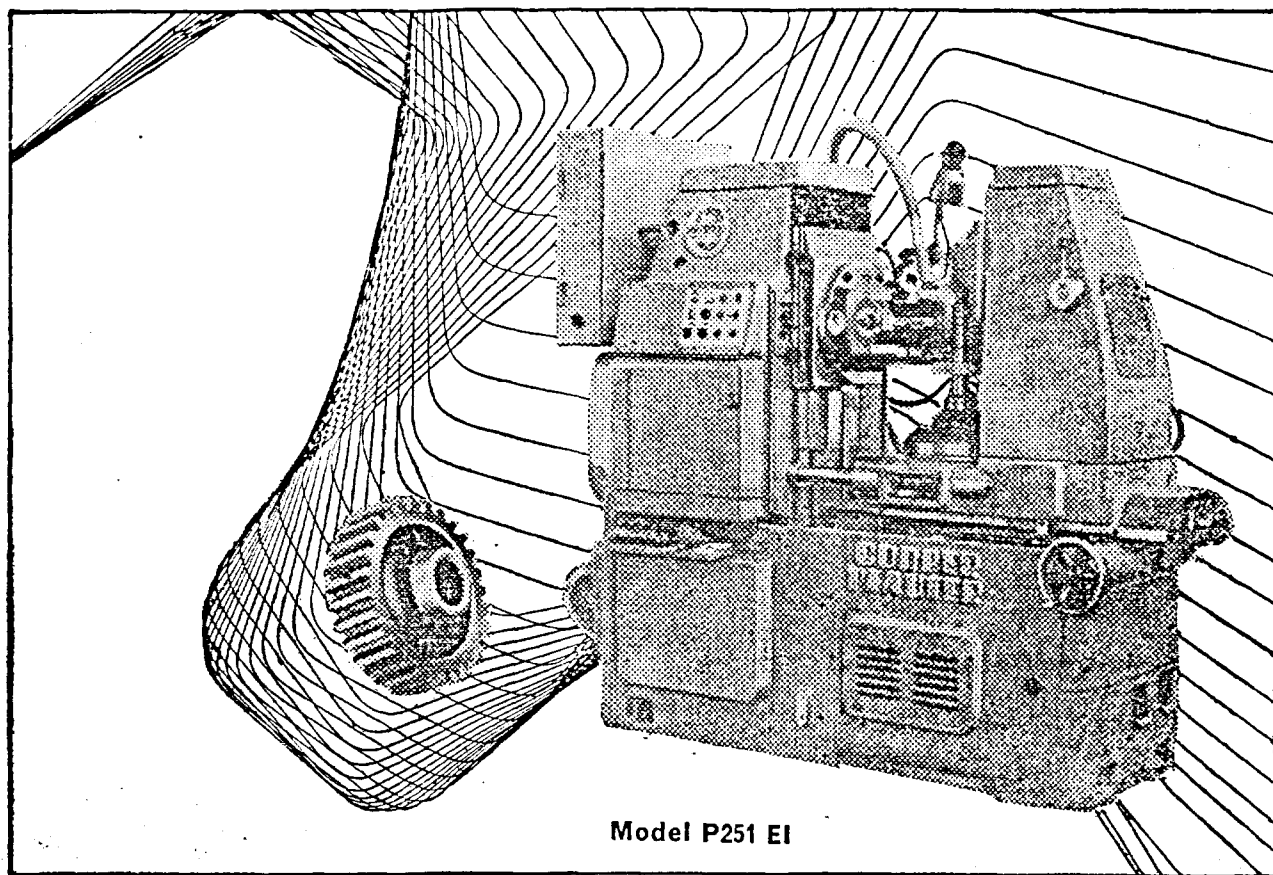
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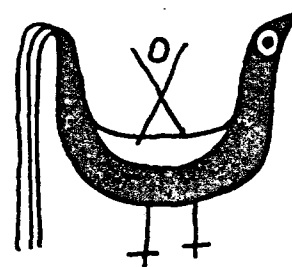
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Ever Onward

INDIA's agriculture, after a series of reverses in the last three years, mainly owing to drought, is again showing bright prospects of a breakthrough.

NEW STRATEGY TOWARDS PLENTY

THE FARM REVOLUTION

Since the launching of the Five Year Plans, the broad policy of the Government has been to make the country self-sufficient in foodgrains and to produce enough commercial crops to meet the needs of industry and exports. Twenty per cent of all investments has been in agriculture-based projects—seven per cent in irrigation alone.

Foodgrains production increased remarkably from 55 million tonnes at the beginning of the First Plan to 89 million tonnes in 1964-65, the third year of the Third Plan. This steady progress received a severe set-back due to the unprecedented drought in 1966-67 and 1967-68. The output of foodgrains fell to 72 million tonnes in 1965-66 and rose only up to 75 million next year as against the target of 97 million tonnes. Non-food crops too showed a similar decline.

But with good monsoons this year the country has tided over the crisis and is in for more prosperous days in agriculture. With an esti-

mated 95 million tonnes in the current years, foodgrain production in the country will make an all-time record, showing an increase of 73 per cent in agricultural production in 18 years of planned development.

In the world agricultural map, India, in spite of her backwardness, ranks first in the production of groundnuts and tea and holds a virtual monopoly in the production of lac. She is also a major producer of rice, jute, raw sugar, rape seed, sesamum and castor seed. A wide variety of crops are produced in the country to meet the varied requirements of the people and their economic welfare.

The country's agricultural potential is enormous but yields are as yet too low to provide the additional two million tonnes needed

PLAN INVESTMENTS

Major head	Rs. Crore					
	1st Plan		2nd Plan		3rd Plan	
	Pub. Sec.	Prvt. Sec.	Pub. Sec.	Prvt. Sec.	Pub. Sec.	Prvt. Sec.
1. Agriculture & Community Development	—	—	210	625	660	800
2. Major and medium irrigation	—	—	420	—	650	—
3. Power	—	—	445	40	1,012	50
4. Village & Small Industries	—	—	90	175	150	275
5. Organised industries and minerals	—	—	870	675	1,520	1,050
6. Transport & Communications	—	—	1,275	135	1,486	250
7. Social Services and Misc.	—	—	340	950	622	1,075
8. Inventories	—	—	—	500	200	600
Total :	1,560	1,800	3,650	3,100	6,300	4,100

every year for the annual increase in population besides the increase necessary to improve consumption standards.

The production and area of the principal crops during 1965-66 were estimated as follows :

Rice—31 million tonnes, 35 million hectares; Wheat—11 million tonnes, 13 million hectares; Jowar (Sorghum) 7 million tonnes, 17 million hectares; Maize—5 million tonnes, 4 million hectares; Barley—2 million tonnes, 26 million hectares; Sugarcane 118 million tonnes, 3 million hectares; Jute (dry fibre)—4 million bales, 74 million hectares and cotton—5 million bales, 8 million hectares.

Cash crop production has risen by 75.4 per cent—64.9 per cent in oilseeds, 107.9 in fibres, 51.4 per cent in plantation crops and 78.4 per cent in miscellaneous crops. The total cultivated area has advanced 24.6 per cent with a 27.2 per cent increase in yield.

The irrigated area has increased from 56 million acres to 77 million acres. The area under improved seeds has risen to 120 million acres virtually from nothing consumption of nitrogenous fertilisers has gone up seventeen-fold from 56,000 tonnes to 9,60,000 tonnes.

Bases for Growth

Most of the bases required for accelerating the growth of agricul-

tural production have been laid by the Government. The irrigation and power projects, the industries that now dot the country and the massive programmes of scientific and technical training have brought within the farmer's reach the inputs necessary for agriculture.

The development of irrigation has been based on the impounding by dams of the seasonal surplus flow of rivers. Among the major river valley projects undertaken since independence are Bhakra-Nangal in Panjab, the Rajasthan Canal in Rajasthan, Chambal in Rajasthan and Madhya Pradesh, Kosi in Bihar, Damodar Valley in West Bengal and Bihar, Tungabhadra and Nagarjunasagar in Andhra Pradesh, Mayurakshi in West Bengal, Hirakud in Orissa and Kakrapara in Gujarat.

A heartening feature of Indian agriculture in recent times is the headway made in farm research. Appreciable results by way of higher yields and quality improvement have been achieved in such crops as wheat, rice, jute, long-staple cotton and hybrid maize. The Government have established a number of institutes for fundamental and applied research in agriculture. Keeping with the progress in research and its application, facilities for training personnel have also increased.

Goal of Self-Sufficiency

In spite of solid gains in the field of agriculture, the fact remains that the goal of self-sufficiency has yet to be reached. Because of the shortfall in domestic output, India has been importing food from abroad. Imports went up to 10.4 million tonnes in 1966 and 9.4 million tonnes in 1967 as against an annual average of only a third of this quantity in the previous 15 years.

The new agriculture strategy, now under way, wants to do away with this chronic dependence on food imports. It is designed to raise the production of foodgrains to 120 million tonnes by 1970-71, at which level the supply would match the demand. Per capita availability of foodgrains would be raised from 16.8 oz per day (in 1965) to 18.5 oz by 1971.

To fulfil this objective, the new strategy seeks to (1) cover 32.5

*The sun shines, the rain pours down in showers,
the leaves glisten in the bamboo grove,
the smell of the newly tilled earth fills the air.
Our hands are strong, our hearts glad,
as we toil from morning till night to plough the land.
The spirit of a poet dances in swaying cadence
along meadows, writing its verses of green lines,
spreading ripples of thrill through the ripening rice field.
The Earth's heart is joyous in the sunny October morns,
in the cloudless nights of the full moon,
as we toil from morning till night to plough the land.*

RABINDRANATH TAGORE

million acres by 1970-71 with new high yielding food crops, adding substantially to the present yield, (2) promote multiple cropping in 30 million acres, (3) extend irrigation benefits to 26 million acres, (4) increase fertiliser consumption by five times to 4.1 million tonnes of nutrient elements by 1970-71 and also of plant protection chemicals, and (5) extend credit facilities—short, medium and long-term—to the tune of Rs. 1,200 crore.

The various components of the new strategy are given below :

High-yielding Varieties

The high-yielding varieties programme constitutes one of the major planks of the new strategy. It is planned to bring a total area of 32.5 million acres under cultiva-

tion of these varieties by the end of 1970-71, which is expected to give an estimated extra production of 18.80 million tonnes of foodgrains. The programme is being implemented in areas having assured irrigation rainfall.

Improved Seeds

The National Seeds Corporation (NSC), set up in 1963, has been assigned an important role in increasing the production of quality seeds not only of the new high-yielding varieties, but also of improved strains of groundnut, jute, vegetables and fodder. The seed production programme has been decentralised and for 1967-68 each State would meet its own requirements of seeds of high-yielding varieties. Several States have initiated action to set up their Seed Corporations. The Seeds Act, to regulate and control the quality and sale of seeds, was passed by Parliament in 1966.

The area under improved seeds is estimated to have risen to 46.5 million hectares in 1966-67.

Multiple Cropping

The introduction of high-yielding varieties of foodgrains of short duration, has created opportunities for cultivating more than one crop. At present about 15 per cent of the irrigated area in the country is double-cropped. A big programme of multiple cropping is proposed for covering 12.1 million hectares.

Irrigation

In the field of irrigation and water management, a change-over from the conception of irrigation

for drought protection to one of irrigation for intensive production has been proposed. This implies (i) limitation of 'command areas', so that available water can be more intensively used for multiple crops as well as intensive agriculture, (ii) exploitation of ground water resources, and (iii) the development of other forms of minor irrigation. A composite action programme, called the Ayacut (command areas) Development Programme, has been drawn up which envisages an integrated approach to improved agricultural practices, land shaping, channel drainage, supply of inputs, introduction of cropping pattern, and includes improved facilities of rural roads and better marketing.

Since 1966-67 priority has been assigned in the field of minor irrigation to schemes like pump sets and tubewells.

Fertilisers and Manures

The growing demand for fertiliser is evidence of the Indian cultivator's desire to adopt modern agricultural techniques. It far outstrips domestic production. As compared to a consumption of six lakh tonnes of

nitrogen in 1966-66 and a supply of 9.6 lakh tonnes in 1966-67, the target for 1967-68 is 13.5 lakh tonnes. During the current year, the consumption target for phosphates is being raised to 5 lakh tonnes and that of K_2O to 3 lakh tonnes.

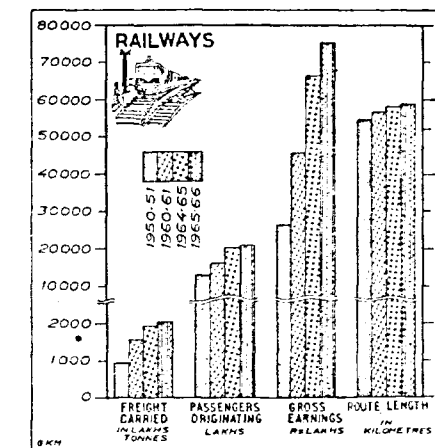
The development of local manual resources is also under way. Schemes relating to rural compost and sewage utilisation have been in operation. The production of rural compost during 1965-66 was estimated at 119.58 million tonnes against the Third Plan target of 150.41 million tonnes. The target fixed for 1966-67 was 138.68 million tonnes.

Plant Protection

The plant protection measures, which covered 16.6 million hectares in 1965-66, were extended to cover 25.5 million hectares in 1966-67. It is envisaged to cover 51 million hectares in the current year. A target of 137 million acres is proposed to be covered by 1968-69.

Agricultural Credit

A crop loan scheme has been taken up for the HVP areas. The supply of agricultural credit would



be linked to production needs. Under this scheme, "the loans given to cultivators are based on the production needs of each type of crop and not on the landed assets of the borrowers. This system will have a far-reaching effect on agricultural production, particularly in the case of tenants and the small owner-cultivators. It provides that loans for supply of material inputs, such as seeds, fertilisers, implements and pesticides should be advanced only in kind and that attempts should be made to link credit with marketing."

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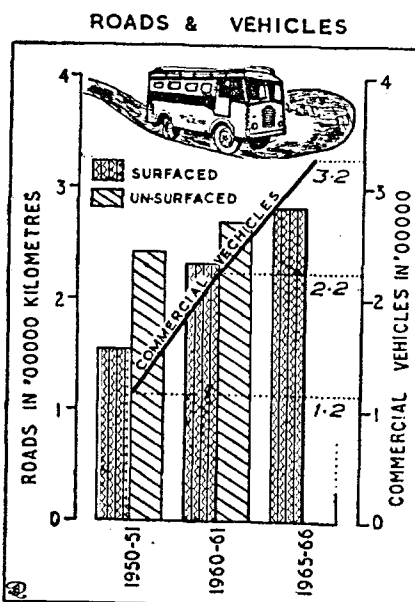
Established in 1963, the National Seeds Corporation has a proud record of promoting a new industry in improved seeds of promising new hybrids and superior varieties. A large number of farmer-seed producers, seed companies, seed cooperatives and State Organisations have taken up certified seed production programme under the leadership of the National Seeds Corporation by using the most modern methods of seed production, processing, storage, etc. The National Seeds Corporation is providing Foundation Seed, Technical Guidance, Quality Control Services and many other services to the growing seed industry.

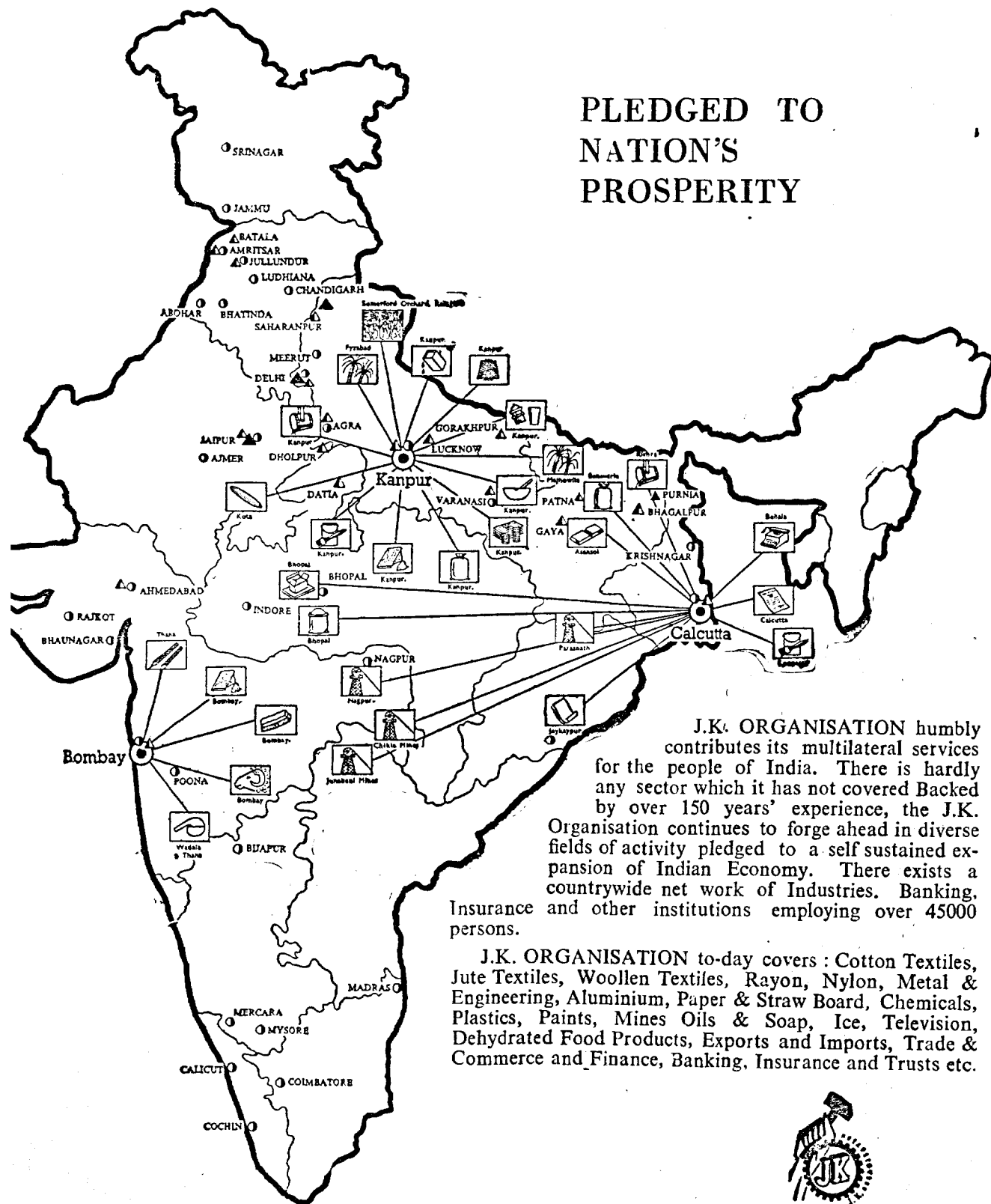
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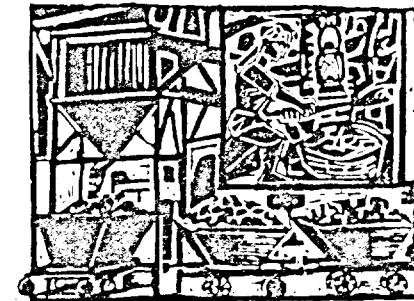
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Ever Onward

INDUSTRIALISATION TOWARDS ECONOMIC INDEPENDENCE



ROSSCOTE KRISHNA PILLAI

A valuable outcome of India's planned development in the last seventeen years has been the country's decisive transition from a traditional society with an entirely agriculture-based economy to a modernised nation with a strong industrial base leading to a purposeful take-off stage. Industrially, India is more advanced among the less developed nations of the world. The remarkable growth and diversification of industry has taken the country a considerable distance towards self-reliance and economic independence.

India is now the second largest producer of steel in the East. Its cotton textile industry ranks next only to that of the U.S.A. In jute the country is the world's leading producer. It makes fighter planes, transport planes and jets. It has begun to roll out its own tanks. In railway equipment the country is almost self-reliant. It manufactures the latest types of steam, electric and diesel locomotives, integral rail-

INCREASE IN OUTPUT

Industrial production has been increasing at 7 to 8 per cent per annum.

The increase in output within four years 1961-65 was :

- 70 per cent in electrical machinery.
- 82 per cent in non-electrical machinery.
- 57 per cent in metal products.
- 68 per cent in petroleum products.
- 59 per cent in transport equipment.
- 49 per cent in basic metals.
- 38 per cent in chemicals and chemical products.

way coaches, wagons and carriages and exports some of these items. Its ship-building yards turn out ocean-going vessels and naval craft. India makes the most sophisticated machine tools and heavy machine-making equipment and exports quite a few of them to even advanced countries. In heavy and light electric equipment the country manufactures all her own requirements. More than two million bicycles, 6 lakh radio receivers and about 7 lakh sewing machines are made in the country every year and a large number of these items are exported. India's progress in the manufacture of basic and heavy chemicals, drugs and

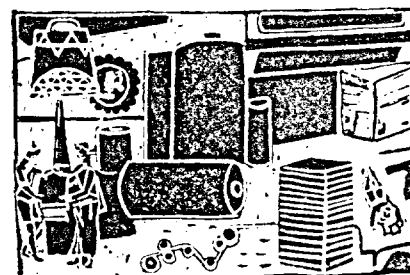
pharmaceuticals, and new products like synthetic fibres, explosives, plastics, new spirit dyestuffs has been remarkable. Apart from the building up of manufacturing capacity, the country has acquired skill and know-how in process technology to enable the planning, design and construction of industrial projects with maximum indigenous effort.

It is no exaggeration to say that this orderly growth of industry is largely due to the country's Five Year Plans. Only since the launching of the Second Plan in 1956 laying emphasis on the rapid development of heavy machine building, heavy electricals, steel and energy has the country begun to feel the tremors of an industrial revolution.

No doubt, organised industry in India is more than a century old. But cotton, jute and coal were the only large industries in India before the first World War. During the twenties and thirties, impelled by the somewhat liberal policies of the Government, a number of new industries like steel, sugar, cement, glass, chemicals and engineering industries sprang up. But their growth was haphazard and unplanned, as the country was not committed to a programme of deliberate industrialisation.

Birth of Public Sector

The first determined step in a bold policy of taking the country towards economic independence was taken in the Second Plan with



the decision to develop certain key parts of the economy in the state sector. The Industrial Policy laid down that certain important industries like iron and steel, oil, coal and engineering should thenceforth be developed in the public sector. This was the beginning of the growth of a system of mixed economy in India. The creation of the public sector has led to the growth of a number of industries in sectors which were till then largely neglected or not well-developed.

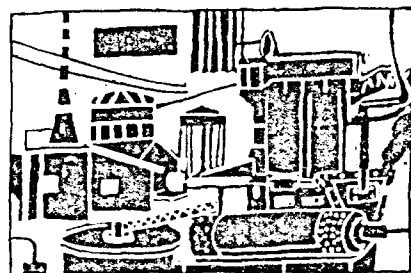
Steel

Steel, for instance. Although there were one or two big steel factories in the private sector some fifteen years ago, the total output of steel was only a million tonnes. Today the country produces 7 million tonnes of steel ingots. It was the Government's decision to set up three new steel works in the public sector that gave steel production a big spurt. The first one at Bhilai was established with U.S.S.R. help, the second at Rourkela with aid from West Germany and the third at Durgapur with British aid. All these three plants, managed by the State-owned Hindustan Steel Limited, together produce about 5.5 million tonnes of steel ingot a year.

The fourth steel plant in the public sector is being set up in Bokaro with Soviet financial and technical collaboration. It is proposed that it will have a 4 million ingot tonne capacity to be further expanded to 5.5 million tonnes. With this the total installed capacity will rise to 12 million tonnes.

The major products of steel produced in India are heavy cranes, forgings, structurals, rods, flats, wires and sheets.

The country also manufactures tool, alloy and stainless steel. Its



GROWTH OF THE PUBLIC SECTOR

In the public sector in the last 17 years Government has set up :

- Three steel plants
- Five oil refineries
- Three heavy electrical plants
- Five machine tool units
- Five fertiliser factories
- Three anti biotic and drugs plants
- A high-pressure boiler factory
- A heavy engineering plant
- A mining and machinery factory
- A heavy machine tools plant
- A surgical instruments factory
- A lignite project
- Two locomotive factories
- An integral coach factory
- A telephone industry
- A teleprinter factory
- An electronic unit

The public sector undertakings are expected to contribute Rs 2,600 million to the national exchequer in five years ending 1970-71.

production is now approaching the level of 200,000 tonnes. A public sector plant set up at Durgapur is the largest single producer of alloy steel.

Machine Building

In the field of machine-building and engineering industries, India's growth in the last seventeen years has been spectacular. The country has become self-sufficient in a number of items. The level of production in capital goods, including industrial, electrical and construction machinery, machine tools and transport and agricultural equipment, has already reached Rs 5,000 million a year. In the next few years the production is expected to reach a level of Rs 20,000 million. The idea of the phenomenal expansion can be got from the fact that the value of output twelve years ago was only Rs 40 million.

In 1965-66 the value of production of machinery for sugar mills was Rs 89 million, cotton textile machinery Rs 216 million, jute machinery Rs 75 million, cement machinery Rs 35 million, chemical and pharmaceutical machinery Rs 8 million and industrial boilers Rs 50 million. The country also produces agricultural tractors, power tillers, earth moving equipment, drilling equipment, metallurgical machinery and so on.

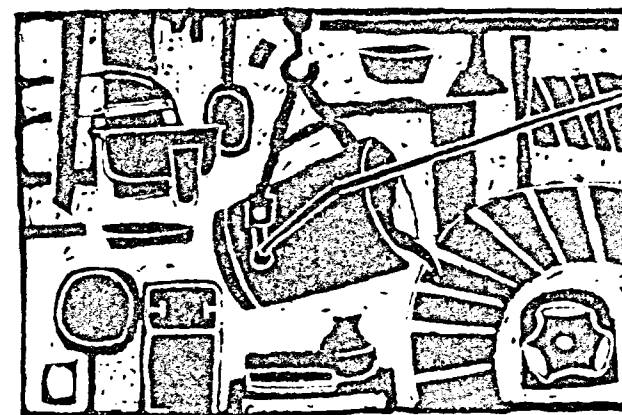
The machine tool industry has recorded a remarkable increase from Rs 15 million in 1956 to Rs 265 million in 1966-67. Hindustan Machine Tools, a Government Undertaking, at Bangalore, has made the largest contribution to this growth. It now accounts for about half the production of machine tools in the country. Its two units at Bangalore turn out on an average 200 machines a month. This undertaking has set up without any foreign assistance three more units at Pinjore in Punjab, Kalamassery in Kerala and Hyderabad in Andhra Pradesh. These units manufacture specialised types of machine tools to the tune of 3,000 machines a year. The Praga Tools Corporation at Hyderabad and another public sector concern at Ambarnath also make a large variety of machine tools. Besides Government units, there are several other private sector industries manufacturing different kinds of machine tools.

Electrical Equipment

The electrical equipment industry too has expanded considerably. The Heavy Electricals (India) Ltd. at Bhopal in Madhya Pradesh, a wholly Government undertaking, established with technical collaboration of a British firm, produces all types of heavy machinery needed by the power industry. The equipment made here include power transformers, switchgears, control gears, power capacitors, railway traction equipment and industrial motors. Manufacture of steam turbines has recently been taken up. Another Government undertaking in this field, the Bharat Heavy Electricals Ltd., has established two heavy electrical plants, one at Ramachandrapuram in Andhra Pradesh with Czech assistance and another at Hardwar in Uttar Pradesh with Soviet collaboration,

and a high pressure boiler factory at Tiruchirapalli also with Czech aid. The first two factories produce steam and water turbines, generators and industrial motors.

For producing heavy industrial machinery, a heavy machine building plant has been set up with U.S.S.R. collaboration at Ranchi in Bihar with a capacity of 80,000 tonnes a year and a coal mining machinery plant at Durgapur in West Bengal. To serve as a metallurgical base for the



Ranchi plant, a foundry plant is being set up near it with Czech assistance.

In Naini near Allahabad a plant for heavy compressors and pumps is being established.

Engineering Products

India's engineering products cover a wide range. They include, besides bicycles and sewing machines which are in great demand in foreign markets, machine screws, steel furniture, hospital equipment, surgical apparatus, typewriters, razor blades and ball-bearings.

In instrument manufacture, India's history dates from 1830. Among the major factories making instruments is the National Instruments Ltd. at Calcutta, which produces apparatus for schools and colleges, surveying, mathematical and meteorological instruments, thermometers and microscopes. A precision instrument factory at Kota established with U.S.S.R. collaboration will produce magnetic, electromagnetic and electrical instruments. A mechanical instruments plant to come up soon in Kerala, also with Soviet help, will

manufacture mechanical, hydraulic and pneumatic instruments.

The country's light electrical industries have expanded its manufacture in range and output in the last few years. They produce all kinds of electrical goods for the home and the housewife, from lamps and fans to refrigerators and airconditioners, from stove and toaster to cooking ranges and washing machines, and from radio receivers to record players. India produces more than 1.4 million

fans a year and exports a large number to more than 50 countries. The country makes all types of batteries and electric motors, switchgear and control gear, cables and wires. In all these categories, production has gone up by 100 to 250 per cent in the last two decades, which enables the country to meet its needs and also rapidly increase exports.

India's railway system is one of the largest in the world. The country now manufactures most of her railway equipment. Her locomotive requirements are met by three factories, the Chittaranjan Locomotive Works in West Bengal, the Diesel Locomotive Works at Varanasi (both in the public sector) and the Government-assisted Tata Engineering & Locomotive Works at Jamshedpur. The Chittaranjan Works turns out every year 185 steam locomotives and 8 electric locomotives. The Varanasi Works has produced 116 diesel locomotives till last year. All the requirements of metre-gauge locomotives are met by the Tata Works.

The railways' requirements of coaches and wagons are met by the Integral Coach Factory at Madras.

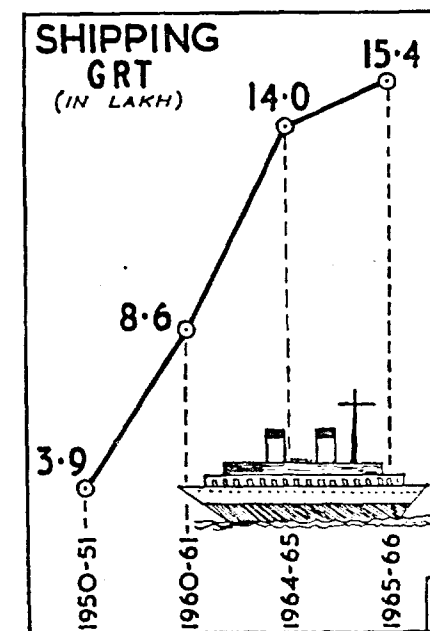
It turns out every year 600 new coaches of the latest design. Wagons produced here number 40,000.

In the field of shipping rapid strides have been made. The Hindustan Shipyard at Visakhapatnam manufactures four modern diesel-propelled ships of 12,300 DWT each every year. It also turns out small vessels. It is planned to have another shipyard at Cochin with a capacity of 60,000 GRT.

The aircraft industry has made remarkable progress. The Hindustan Aircraft Ltd., a new Government company, is responsible for the production of aircraft and allied equipment. Three factories are being set up at Nasik, Koraput and Hyderabad to manufacture different parts of MIG planes. The HAL-produced Gnat has already been successfully used in actual combat. The HAL factory at Bangalore also makes jet trainer aircraft, aircraft for spraying insecticides and also helicopters. The production of a supersonic jet fighter is making progress. The Kanpur Division of the HAL manufactures both passenger and freighter versions of HAL 748.

Cotton, Jute, Wool, Silk

Textiles is India's biggest industry, employing more than a million workers. It is also the oldest industry in India and is the second



biggest organised enterprise of its kind in the world. There are over 500 cotton textile mills which turn out more than 4,200 million metres of cloth and 800 million kg of yarn every year. The exquisite quality and the variety of the fabrics have made them popular all over the world. Of late, the malady of recession has forced a number of mills to close down. The Government have recently passed a legislation to take over sick mills.

Handlooms are a speciality in the country's textile manufacture. Handwoven dress materials with highly artistic designs have become increasingly popular.

India with an annual production of about 4 million lbs is the fourth largest raw silk producer in the world. Indian saris, brocades, scarves and stoles worth more than 10 million rupees are exported every year.

The woollen textile industry and the rayon industry have also made rapid progress. The production of rayon cloth is more than 350 million metres every year.

India's jute and jute products earn more foreign exchange (Rs. 2,166 million in 1966) than any other single commodity. At the beginning of 1966, there were 88 mills employing 2,57,000 people and producing about 1.3 million tonnes of jute goods. Because of raw jute shortage, the industry could not maintain in 1966 its record production of the previous year. The industry produces more than half of all the gunny sacks—the packing material made of jute—of the world. In recent years, organised research has found many more uses for jute, like carpets, furnishing fabrics, and upholstery.

India is the second largest producer and one of the major exporters of coir in the world. Almost the entire annual production of 1,50,000 tonnes of coir fibre from coconut husk is spun into yarn, used mostly for manufacturing mats, mattings and carpets.

The country's chief plantation industries are tea, coffee, sugar, cashew, lac, spices and tobacco. They play a vital role in the country's economy and take a major share in her exports. Our annual tea output of 370 million kgs accounts for 47 per cent of the total world

production. About half of it is exported, earnings from which in 1966 totalled Rs 132.5 crore. In tobacco, in cashew kernels, in lac from which shellac is made, and in spices like pepper, chillies, cardamom, ginger and turmeric, India is one of the world's largest producers and exporters.

Chemicals and Fertilisers

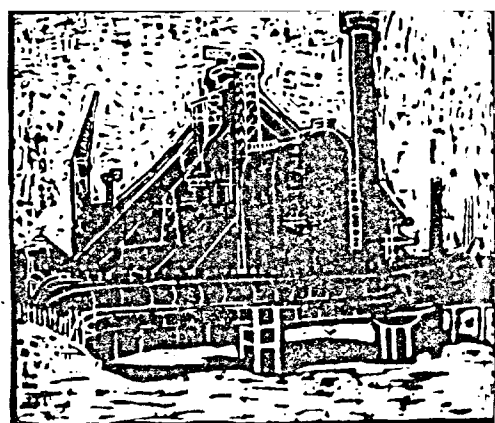
The growth of the chemical industry in India is a post-second world war phenomenon. Steady progress has been made in the development of chemicals since independence. Dependence on imported intermediates has almost been overcome. Production has considerably risen in the case of sulphuric acid, caustic soda, soda ash, calcium carbide, plastic raw materials and several processed plastic goods.

India's pharmaceutical industry has grown by leaps and bounds. Considerable increase has been recorded in the production of antibiotics, synthetic drugs and vitamins. Large quantities of insulin, liver extracts and other similar preparations are also being produced in the country. The total value of output of drugs and pharmaceuticals is estimated at Rs. 1,750 million.

The capacity in the production of fertilisers, under construction and approved, totals 3 million tonnes. The public sector factories at Sindri, Nangal, Trombay, Rourkela, Alwaye and Neyveli and the private sector factories at Ennore and Varanasi produce in all about seven lakh tonnes of fertilisers. Another ten factories are under construction which will have a total capacity of 941,000 tonnes of nitrogen.

Oil

India's oil production has made much headway during the last ten years. When the country attained independence it was barely able to produce a quarter of its needs which were then only 2 million tonnes. Till 1956 the only producing oilfield was in Assam. Extensive drilling for oil has been carried out since then by the Oil & Natural Gas Commission in several parts of the country with assistance from foreign countries. Already large seams of oil and gas have been discovered. The country will be soon refining 16 million



tonnes of oil every year—about one-half by the public sector and the other half by the private.

In the exploration and exploitation of minerals, India's progress in the last 17 years has been stupendous. Proven iron ore resources of high quality grade now exceed 22,000 million tonnes while low-grade reserves will be four times that figure. In the last ten years, iron ore exports have gone up by about ten times.

Coal production is one of the oldest organised industries in India. In 1966-67 the production amounted to 71 million tonnes. It is expected to reach 106 million in the next five years. The integrated Neyveli lignite project will ultimately produce 63 lakh tonnes of lignite.

The National Mineral Development Corporation exploits minerals other than oil, natural gas and coal. Besides producing 22 lakh tonnes of iron ore per annum at Kiriburu and 40 lakh tonnes at Bailadila, the Corporation is setting up a plant for exploiting copper in Rajasthan. It will produce 31,000 tonnes of copper a year.

India is estimated to have 70 million tonnes of high-grade bauxite. The country has begun to export this mineral to the order of 150,000 tonnes. Aluminium industry in the country has now reached a production capacity of over 50,000 tonnes.

Although at one time India had the world monopoly in manganese ore, our exports have declined because other countries have found deposits within their territories. But the prestige of Indian manganese is still high. The country still enjoys a virtual monopoly in mica.

Ever Onward

A BETTER LIFE FOR THE PEOPLE

M. K. PARDHY

AFTER independence India chose to become a Republic. She decided to transform herself into a 'Welfare State', from the 'Police state' of the British times which had concerned itself mainly with the maintenance of law and order, rather than the well-being of the people. To this end, she adopted secular democracy as the method of administration. Sovereignty now vests with the people and the Constitution has guaranteed social justice, individual freedom and equality of opportunity to all citizens. For the economic development of the country, planning has been undertaken with a long-range view of a socialistic pattern of society. All the development effort is focussed on improving the standard of living of the people.

To redeem the pledge of democracy and to meet the needs of planned development, people have been given powers to govern themselves. For this purpose, Panchayati Raj has been established throughout the country. Panchayati Raj is a three-tier system of local administration at the village, *tehsil* and district levels. It entrusts the administration of villages in the hands of the villagers themselves, ensures public co-operation in the development effort and helps the planning process by making the people plan for themselves at the grassroots.

As is said, India lives in her half a million villages. Any plan for giant industrial projects and technical advancement of the nation would, therefore, be meaningless if the rural areas remained undeveloped. A programme of community development was launched in 1952 in the First Five Year Plan to bring about an all-round development of the rural areas. Expanded in stages, the programme now covers the entire country. It is an integrated project of various schemes covering all aspects of rural life—agriculture and animal husbandry, cottage industries and crafts, communications, education, health, children's and women's welfare, village leadership and youth guidance, and even sports and recreation.

Poverty and ignorance are the basic ills of Indian society. A tremendous effort is being made to wipe them out. The co-operative movement was launched in the Second Five Year Plan to help the people make joint ventures to solve their economic problems. A countrywide campaign of adult literacy has also been in action. Other countrywide campaigns include the eradication of epidemics like malaria, filaria, cholera and T.B., and the programmes of applied nutrition and family planning.

Thus the social services, which were neglected in the British regime, have assumed great importance in the development effort and come to be recognised as 'investment in man'. The most outstanding

achievements in social services are two. One is that the percentage of literacy has doubled during the past two decades. Now every third man in the country can read and write. Secondly, expectancy of life has risen to 50 years from 30.

EDUCATION

In the field of education, the main task was to revise the entire educational system to suit the aspirations of a developing country. The main features of the change in the educational pattern during the past two decades are: the introduction of a vocational bias, more attention to women's education, and a greater emphasis on science and technology at the various levels. About a sixth of the country's population is now in school.

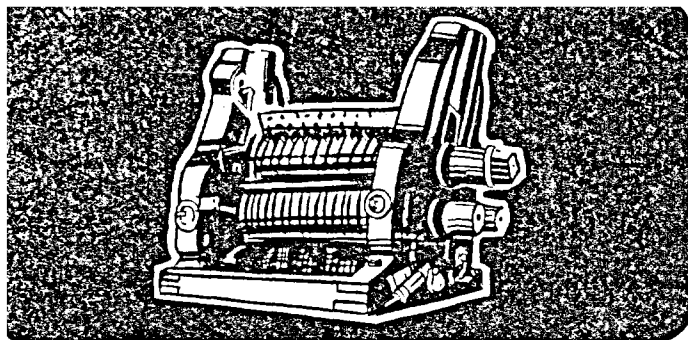
Primary education is free all over the country. There is a school in almost every village. About 72 million children, three times that in 1947, go to school, that is 8 out of every 10 children in the age group 6-11 are now in school. Basic education, promoting activity aptitudes among children, has been provided in many schools.

At the secondary stage, the enrolment is about 25 million (as against 5 million in 1950) in over 88,600 schools (against 21,000 schools in 1950). About 4,000 multi-purpose and vocational schools have been opened for vocational and technical training and they have about 450,000 students on their role. A search for science talent scheme has been introduced in the higher secondary schools to pick up science-minded students for advanced education.

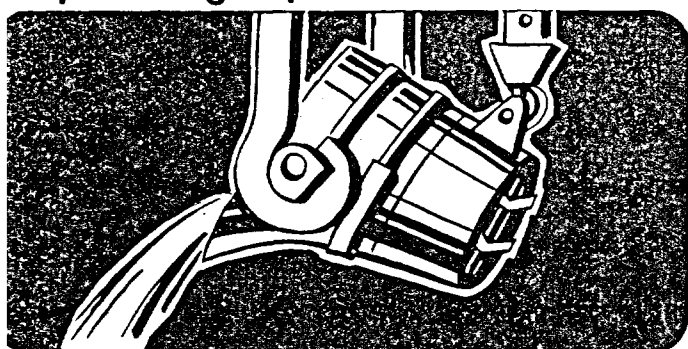
There are now about 70 universities in the country, including universities for agriculture and institutes of technology. About 2 million students (three times increase since independence) are taking general and professional education in 4,000 colleges and institutes.

Admission to engineering colleges, which now number 135, has risen to 30,000, a ten-fold increase since 1947. Besides, 53,000 students are admitted to diploma courses every year.

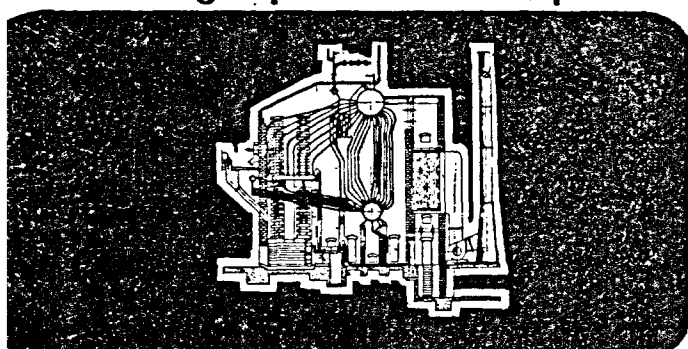
Special attention is given to women's education. There is a



Complete Sugar plant



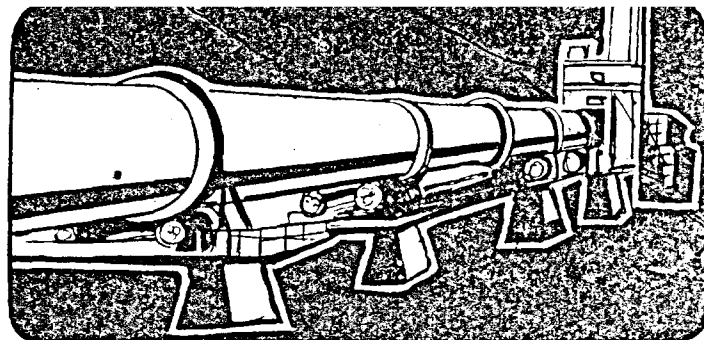
Steel Castings upto 8 Tonnes a piece



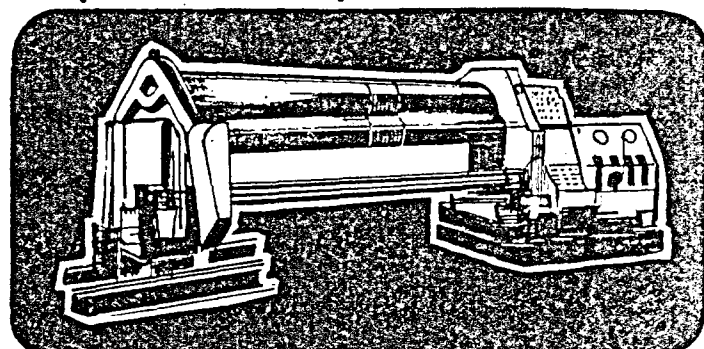
Water Tube Boilers

Centralized capabilities for furnishing Complete Industrial Plants.

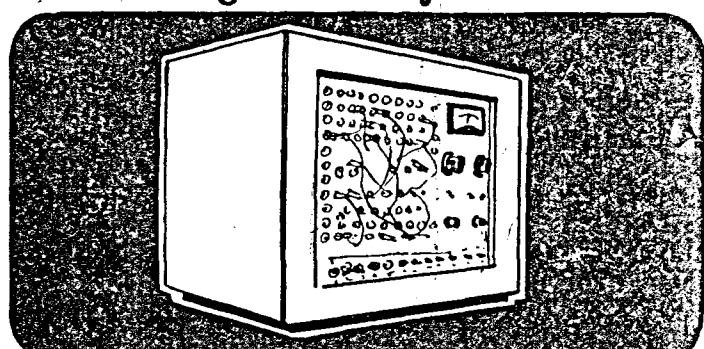
Over the years KCP has become a large and important part in the development of the nation's vast Industrial network. KCP's range includes: complete sugar, cement and chemical plants, steel castings, plate working machinery, boilers and pressure vessels and heavy steel gears and analogue computers and electronic instruments.



Complete Cement plant

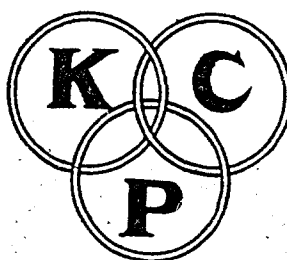


Plateworking Machinery



Electronics (Analogue Computers etc.)

KCP's SUGAR Plants working at sugar factories at Amadalavalasa, Chodavaram, Nizamabad and Chagallu in Andhra Pradesh. Chittoor in Kerala. Madurai, Kallakurichi and Mohanur in Madras State. Commissioned also recently a 1,200 tonnes per day CEMENT plant at Bargarh (Orissa State).
KCP strives for strength through self-reliance.



Know-how men know us well
THE K.C.P. LTD.
MADRAS

university only for women; and 300,000 girls were studying above high school level in 1966. A few women's polytechnics have been opened for technical education of women at diploma level.

Rural Institutes have been opened at rural centres for training in rural economics, sociology and community development up to the post-graduate level.

To bring about a speedy and smooth transformation of the educational system at the secondary level, the National Council for Educational Research and Training has been set up. The Council has established a National Institute of Education, which has 11 departments dealing with the various fields of education. It has also set up a Central Science Workshop to fabricate prototypes of science apparatus and equipment. Besides, the Council has undertaken a massive programme of production of textbooks and general reading material for schools. It runs four regional colleges which provide special facilities for the training of secondary teachers in science, mathematics, English, agriculture, commerce and technical subjects.

The University Grants Commission takes care of university education. It seeks to improve the standard of education and assists the universities and the constituent colleges with grants.

Facilities so far provided for education, particularly at the degree level, are expected to meet the needs of the country for trained manpower for the next ten years.

SCIENTIFIC RESEARCH

India's policy on science and technology aims at applying modern scientific and technical know-how for the development of her economy and, ultimately, building up a fund of indigenous technology. A Council of Scientific and Industrial Research has been set up to promote scientific research for the benefit of farm and factory.

The Council has so far set up 33 national laboratories for undertaking research, both pure and applied, in the various branches of science. More prominent among them are those for physics, chemistry, fuel, glass and ceramics, metallurgy, drugs, electric chemicals, electronics, engineering, salt

IN THE TWO DECADES

People's participation in administration at the grassroots through Panchayati Raj.

Community Development programme spread all over the country.

Co-operative movement widened to cover several sectors.

About a third of the total population made literate

Life expectancy gone up to 50 from 30 years.

Plague, malaria and other communicable diseases checked.

Nationwide family planning campaign launched to bring down the birth rate to 25 from 40 per thousand.

About 9 million displaced persons from Pakistan rehabilitated.

Social disabilities of the backward classes removed.

Economic development of the tribal people undertaken without disturbing their cultural life.

31.5 million new jobs created.

Adequate machinery set up for amicable settlement of industrial disputes.

have been set up in the various States.

ATOMIC RESEARCH

In the field of nuclear science, India ranks among the few most advanced countries in the world. The Atomic Energy Commission has been set up to plan and formulate a programme for the development of atomic energy for peaceful purposes. It has set up a complex of Atomic Energy Establishment at Trombay near Bombay. The complex comprises mainly the Bhabha Atomic Research Centre and its three reactors, namely (1) the Apsara built by Indian scientists, (2) India-Canada reactor, and (3) Zerlina. These reactors produce isotopes for use in medicine, agriculture and industry.

The nuclear research has made possible the establishment of three atomic power stations at Tarapur in Maharashtra, Rana Pratap Sagar in Rajasthan and Kalpakkam in Madras State, of which the first two are nearing completion.

India is rich in atomic fuels such as thorium and uranium. A uranium mill has been constructed at Jaduguda in Bihar. Search for these minerals is continued by the Atomic Minerals Division.

India has recently joined the advanced countries in space research. An equatorial rocket launching station has been functioning at Thumba in Kerala and an experimental satellite communications earth station has come up at Ahmedabad.

ARTS AND LITERATURE

India has a proud heritage of various arts. Measures have been taken for promoting these arts and inculcating art consciousness among the people. Three academies have been set up—the Sahitya Akademi for literature, the Sangeet Natak Akademi for performing arts and the Lalit Kala Akademi for plastic arts. These academies have instituted annual national awards for eminent artists in their respective fields. They also bring out publications, hold exhibitions, offer scholarships to promising artists and financial assistance to voluntary organisations, and collect valuable

and marine chemicals, oceanography, mining, petroleum, geophysics, leather, aeronautics, roads and buildings. These laboratories also undertake research on specific problems referred to them by industries and other organisations.

Besides the national laboratories, the Council sponsors, through a system of grants-in-aid, research by other technical institutes, industrial laboratories and universities. It provides opportunities of training for young research workers. Fellowships are given to enterprising scientists. To attract well-qualified Indian scientists and technologists from abroad to research work in India, the Council has maintained a "Scientists' Pool" and National Register of Scientific and Technical personnel in the country. Dissemination of scientific knowledge among the people is another function of the Council.

For disseminating scientific information in the rural areas, 52 centres, known as 'Vijnan Mandirs',

materials and data. There are similar academies in several States.

All India Radio is playing a decisive role in promoting literature and music.

A National Book Trust has been set up to encourage the production of good literature, a National Gallery of Modern Art for plastic arts, a National School of Drama for training in dramatic arts and a Film Institute for training film artists.

Rabindranath Tagore Birth Centenary celebrations gave an impetus to the dramatic art and model theatres were built in all the major cities in the country.

Traditional folk arts are also being encouraged. A festival of folk dances is held every year on the occasion of the Republic Day celebration. The Cottage Industries and Handicrafts Board helps traditional craftsmen by giving them incentives and assistance in producing and marketing their products.

HEALTH

The major achievements in the field of public health during the past two decades are :

The death rate has gone down to 17 from 27 per thousand. Infant mortality is reduced to 109 from 183 per thousand.

Plague has been completely wiped out.

Malaria remains only in traces. Cases came down to 87,000 last year from 100 million two decades ago.

The incidence of cholera and smallpox has fallen to 3,000 and 9,000 from 87,000 and 40,000 respectively every year. Almost all people are vaccinated against smallpox.

T.B. has been controlled. Some 243 million people have been tested and 105 million have been vaccinated with B.C.G.

The provision of medical facilities is given in the following table :

	1947	1967
Hospitals and dispensaries	7,400	14,600
Beds	73,000	246,800
Doctors	47,500	96,000
Nurses	7,000	50,000
Midwives	5,000	41,000

Note :—The figures for 1947 are for undivided India.

Besides these facilities, maternity and child welfare centres have been started all over the country. Milk is supplied free to mothers and children. An applied nutrition programme has been launched in most of the States. School children are given midday meals. Drinking water schemes are undertaken in all the States. People are being educated in sanitation and hygiene. About 5,000 primary health centres have been opened in rural areas.

Medical education has been expanding. There are 90 medical colleges, 14 dental colleges and 11 other institutions for training in the modern system of medicine. These colleges have a total admission capacity for about 11,000 students. In addition, there are facilities for training nurses, midwives, health visitors and sanitary officers.

The Indian Council of Medical Research and the All India Institute of Medical Sciences, both in New Delhi, are mainly responsible for medical research. In addition, there are research institutions for specific diseases, such as the Patel Chest Institute, New Delhi, the National Institute of Communicable diseases, Delhi and the Indian Cancer Research Centre, Bombay.

The Central Food Technological Research Institute, Mysore, the Central Drug Research Institute, Lucknow, the Indian Institute of Experimental Medicine, Calcutta, the Central Indian Medicinal Plants Organisation, Lucknow, and the Central Public Health Engineering Research Institute, Nagpur—all under the C.S.I.R.—also help medical research in their respective fields.

Traditional systems like the Unani, Ayurveda and Yoga, and homoeopathy are also being encouraged to develop.

The production and sale of drugs has been regulated to check spurious drugs. Several basic drugs are now manufactured in the country, such as the B.C.G. vaccine at Guindy, T.A.B., cholera, rabies, antivenom sera and tetanus toxoid at the Central Research Institute, Kasauli, DDT at Delhi and sulphadiazine at the Haffkine Institute, Bombay. The Hindustan Antibiotics Limited, Pimpri, has been

meeting the country's requirements in penicillin and other similar drugs which it has developed. A complex of factories has been set up with the Soviet collaboration; the surgical instruments factory at Madras, the synthetic drugs factory at Hyderabad, and the antibiotics factory at Rishikesh.

FAMILY PLANNING

The fast growth, at the rate of 2.5 per cent every year, of her population has threatened India's economic progress. A countrywide family planning programme was, therefore, initiated in the Second Five Year Plan. The programme, now expanded into a countrywide movement, aims at bringing down the birthrate from 41 to 25 per thousand by 1975.

A network of family planning centres has been set up. There were 25,569 family planning centres, most of them in the rural areas, in 1967, giving advice and distributing contraceptives free.

Among the birth control methods, vasectomy and the I.U.C.D., popularly known as loop, have been found more suitable. Sterilisation operations numbered 3.25 million and loop insertions were over 2 million. The target of loop insertion for this year is one million at the rate of 2 per 1000 people.

A Family Planning Board has recently been set up.

Contraceptives like condoms and I.U.C.D. loops are being manufactured in the country. The factory at Kanpur turns out 30,000 loops a day.

SOCIAL WELFARE BOARD

Other welfare activities are organised mostly under the community development programme. They include welfare of women and children, organisation of youth, adult literacy, social education, care of the handicapped and the infirm, rehabilitation of the destitute and the delinquent, etc. Facilities for these were negligible two decades ago; now special schemes for adequate facilities are being implemented under the Plans.

The Central Social Welfare Board was set up in 1953 to promote and co-ordinate the welfare activities all over the country. The Board gives financial assistance to voluntary organisations for the

implementation of its schemes. So far it has distributed over Rs. 110 million. It has its counterparts in the States.

REHABILITATION OF DISPLACED PERSONS

The rehabilitation of displaced persons from West and East Pakistan was a gigantic problem that India had to face immediately after independence. About 5 million people were displaced from West Pakistan in 1947 and another 5 million have so far come to India in periodic influxes from East Pakistan. Perhaps, no country in the world was ever faced with a human problem of such magnitude and urgency, and the resettlement of this vast humanity is India's greatest achievement in the two decades. Hundreds of colonies for the new settlers have come up in the different parts of the country.

The Dandakaranya Development Project has been undertaken especially for the resettlement of displaced persons from East Pakistan. It covers a contiguous tribal area of 78,000 square kilometres in the States of Orissa and Madhya Pradesh. It envisages to resettle displaced families mainly in agriculture. Already over 1,00,000 acres of land has been reclaimed and 250 new villages have been built, including 50 for tribal people.

The Rehabilitation Industries Corporation, set up in 1959 for resettling displaced persons from East Pakistan in industries, runs 28 industrial units, mainly in West Bengal, employing about 5,600 workers.

WELFARE OF THE BACKWARD

About a seventh of India's population suffered from social disabilities for centuries. Placed at the lowest rung in the caste-based social hierarchy, they were called 'untouchables'. Gandhiji called them 'Harijans' (Children of God) and now the Constitution has termed them as 'Scheduled Castes'. The Constitution has provided them with special safeguards and the welfare of these people, along with other backward classes and tribal communities, became one of the prime concerns of the social services programme after independence. Legislative measures and several concessions have been

provided for bringing them on par with the rest of the society in economic and social spheres.

The age-old practice of untouchability has been banned by law.

Special representation has been given to these people in legislatures and public services. Generally 12.5 per cent of vacancies in Government service are reserved for the scheduled castes and 5 per cent for the scheduled tribes. In 1966, there were 346,000 such people among the total 2 million employees of the Government of India. Conditions for age limit and qualifications are also relaxed for such candidates.

Education is free. Besides, State support is given to these students by way of liberal scholarships, stipends, supply of books and hostel facilities. At the secondary level, 1.90 million students had state support in 1951; the number rose to 10.40 million in 1966. At the university level the number was 3,57,000 in 1966, as against 37,000 in 1951.

A Commissioner for Scheduled Castes and Scheduled Tribes has been appointed to safeguard the interests of these people.

Besides these efforts at Government level, several voluntary organisations and social reformers have been working for the uplift of the Harijans and other backward people since the days of saints in the middle ages.

PRESERVING TRIBAL CULTURE

The Scheduled Tribes are being given a special treatment in addition to the safeguards and privileges given to the Scheduled Castes. This has been necessitated by the specialities of tribal life. The tribal people live mostly in forest areas, scattered in pockets all over the country, and they have their own ways of life, distinct from those of the 'civilised' society. The tribals share about 7 per cent of the total population of the country.

The Government has adopted a policy to preserve the cultures of the tribal people and help them to develop according to their own genius.

The chief measure taken for the economic development of the tribal people is the introduction of Tribal Development Blocks, on the lines

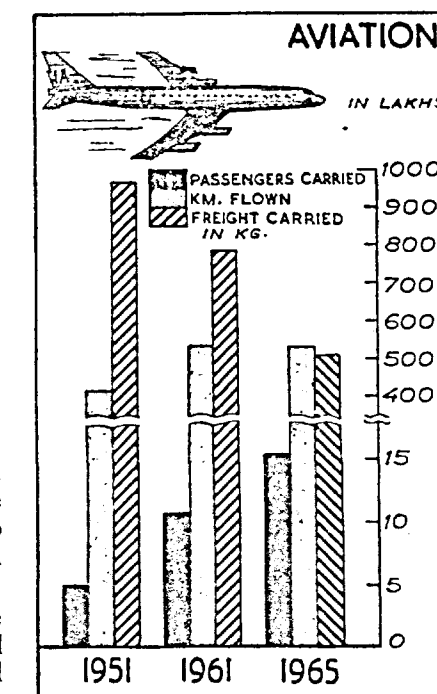
of the Community Development Blocks in the rest of the country. They numbered 514, covering about 40 per cent of the tribal population, in 1966. In agriculture, the tribals are being persuaded to settle on land, giving up their traditional practice of 'jhum' or shifting cultivation.

Legislation has been enacted to check exploitation and safeguard the rights and privileges of the tribal people. Tribal Research Institutes have been set up in the States which have considerable tribal population to preserve and improve the social and cultural life of these people.

LABOUR AND EMPLOYMENT

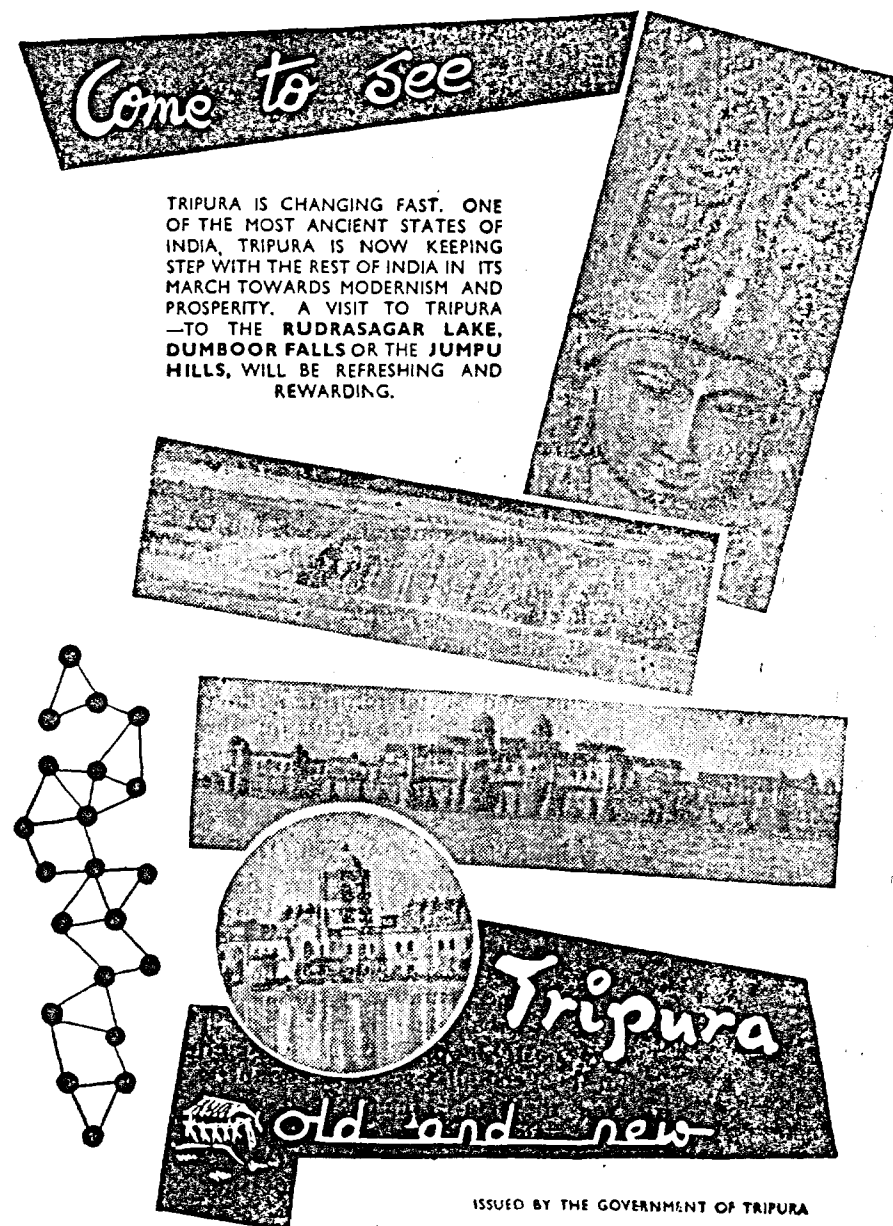
About 43 per cent of India's population are workers.

The growth of the labour force has outpaced the growth of employment opportunities created in the course of planned development. During the three Plan periods, the labour force increased by 38 million, while only 31.5 million could be provided with employment—9 million in agriculture and 22.5 million in other sectors. The number of employment exchanges increased to 437 in 1967 from 122 in 1951 and 2.56



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million unemployed people took their advantage, as against 3,57,000 in 1951.

Training facilities have been provided for 140,000 craftsmen at 360 industrial training institutes and 33,000 apprentices were under training in 2300 establishments at the end of March 1966.

An Employment Market Information Programme has been launched in 316 districts all over the country and the National Employment Service has been expanded.

The outlook on workers has undergone a change; now the workers are considered equal partners in production.

A majority of workers, about 70 per cent, are not organised, and hence they have no bargaining power. They work mainly in agriculture. Measures are being taken to safeguard the interests of such workers. Legislation, fixing the minimum wages for both the unorganised and organised workers, has been in force. Cooperatives and

unions of the unorganised workers are being encouraged.

Workers in the industrial, mining and transport sectors are well organised and there are a number of legislative measures and machinery to protect their interests and improve their skill and efficiency. They are given incentives for increasing production. They are given adequate representation in management councils. A programme of workers' education in trade unionism and production methods is being implemented; 30 regional centres have been set up for training instructors in workers' education and 400,000 workers had been trained by the end of 1966.

The earnings of workers have increased at least by 50 per cent during the past fifteen years. The wages have been linked with the consumer price index and the workers get a proportionate rise in wages with the rise of every 10 points in the index. The payment of bonus to workers has been made compulsory in all major establishments. There are wage boards for

19 different industries, covering about 4 million workers.

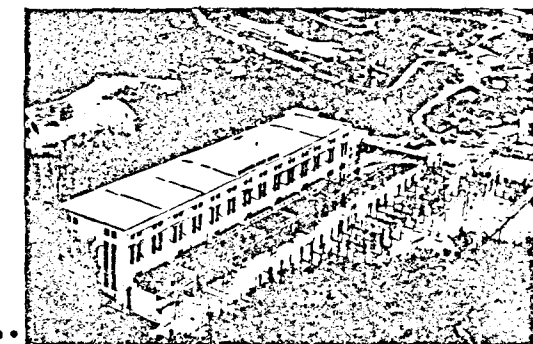
Working conditions are being improved, and proper care is being taken for safety while at work. Employers are assisted in providing housing for workers and several workers' colonies have been built by employers and the Government in many cities.

Two main schemes introduced for the social security of workers are the provident fund and the Employees' State Insurance. The latter also provides medical facilities, and so far 3.2 million worker families have been receiving its benefits. About 5 million workers have been covered by the provident fund scheme.

Trade unionism is encouraged. There were over 12,000 trade unions with a membership of 4 million in 1965, as against 4600 in unions 1951.

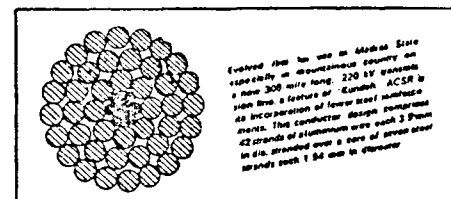
A Central Institute of Labour Research has been set up to study the problems of workers. It has opened three regional centres at Delhi, Bombay and Lucknow.

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India Has Unique Attractions For Tourists

Left: A sculpture in Belur temple in Mysore State. Photo by T. S. Nagarajan

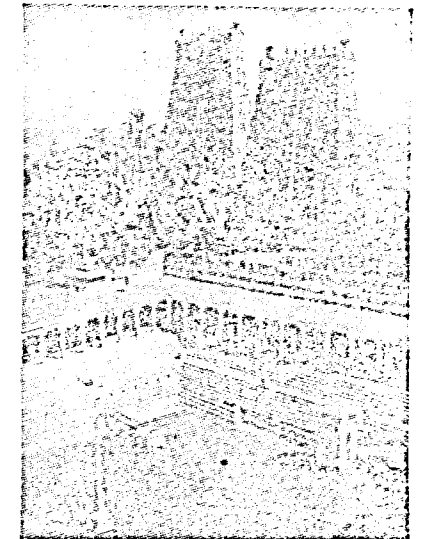
Above: An Ajanta fresco

Above Right: Meenakshi temple at Madurai

Right: A white tiger from Rewa in Madhya Pradesh

TOURISM— An Economic Tool

S. Panigrahi



THE economic importance of tourism has assumed a special significance for India in the last five years. As a foreign exchange earner, as a job creator, as a booster of national income and as an indirect source of tax revenues, international tourism has become an important economic tool.

Travel forms the largest single component of world trade today with an estimated turn-over of nearly double that of its nearest rival, the oil industry. The staggering size of this movement of human beings across the world is evident from the fact that in 1966 the total number of tourists was 128 million.

Expenditure on international tourism in 1966 amounted to over \$ 13,000 million or Rs. 9,750 crore. Tourist receipts in 1967 all over the world are expected to exceed \$15,000 million or Rs. 11,250 crore.

Tourism has a vital role in stabilising the economies of modern nations. It is well known that tourism played an important part

in rehabilitating the West European economies shattered by the last war. Thus Austria, Greece, Italy, Ireland, U.K. and France have, all in varying degrees, been able to wipe out a considerable part of their trade deficit. In Yugoslavia, it has become a major economic factor while Spain, Japan, U.A.R. and Israel are striking examples of how countries can develop their tourist trade.

India is a comparative new-comer in the field of tourism. For its size and its rich and varied tourist attractions, the country's share of world tourist traffic has not been adequate. The number of tourist arrivals has risen from a mere 80,500 visitors in 1957 to an estimated 1,80,000 in 1967, an increase of over 120 per cent. This figure does not include short-term visitors from Pakistan or foreigners coming for temporary residence or employment in India. India, however, is still trailing behind some smaller countries of the Pacific area which receive two to three times its number of tourist arrivals.

India's attractions for the tourist are varied and unique. Its monuments of great architectural beauty, sculpture, frescoes and miniatures, costumes, fairs, festivals, dance and drama are impressive. The country's mountain and seaside resorts, flora and fauna and wild life sanctuaries offer immense delight to the tourists. Kashmir, unrivalled for its natural beauty throughout



the world, is perhaps our greatest single tourist asset. As a monument, the Taj has been the largest tourist attraction. The Ajanta Caves draw a stream of visitors all the year round.

Preparing for Tourist Explosion

How do we prepare ourselves for the tourist explosion that is expected in the seventies? Obviously, what we propose to do to improve our tourist infrastructure cannot be unrelated to our capacity to find resources. However, if we are to achieve even the modest target of half a million tourists by 1971, hotel and motel accommodation, increased capacity on domestic air service, quick and comfortable road

standards and leisure, the urge for relaxation and cultural enrichment, availability of cheaper and quicker transport, elimination of red tape and relaxation in travel barriers.

Mass travelling will be a regular feature by 1970. By that time the Jumbo jet carrying 400 to 500 passengers at 633 miles per hour will be in operation. With the reduced costs of travel, the number of world tourists is likely to go much higher.

Flow of Purchasing Power

The popular tourist areas are generally far from the principal markets. Tourism is doubly welcome in these areas which lack economic prosperity. Tourism acts as a means for equalising incomes

times higher than the actual earnings from tourism.

Although no similar study has been made in India, it seems fairly clear that even though the 'multiplier' effect of tourism may not be as marked as in highly developed and slump-ridden economies where the only limiting factor is demand, the process of catering for the tourists and his varied requirements brings in vital foreign exchange and involves not only those who come into direct contact with tourists but also a large number of artisans, craftsmen and others who never see the tourist but who nevertheless work for him.

There is also the added argument that a certain percentage of the total turnover generated by tourist expenditure must accrue to the State in the shape of taxes of various kinds. In India, the incidence of taxation on many of the goods and services utilised by the tourists is higher than in many other countries. It was estimated by the Jha Committee on Tourism in its report in 1963 at 15 per cent. In other words, the revenues of the Central and State Governments as well as of the Municipal Authorities are augmented by a fair proportion of what the tourist spends.

More Employment

Tourism can be regarded as belonging to the "tertiary sector of production", to use the terminology of Colin Clark, the primary sector covering agriculture and forestry and the secondary, the various forms of industry. Since opportunities for mechanisation and automation are limited in the tertiary sector, specially in the field of tourism in which human labour will always be the dominant element, countries with surplus labour should have an obvious interest in developing the tourist industry to provide more adequate employment for their population. The influx of tourists creates an additional demand for goods and services offered by such varied undertakings as hotels, restaurants, transport services, garages and repair shops, souvenir industries, newspapers, photographs, sports goods, flowers, hair dressing saloons, tailors, theatres, cinemas and festivals.

HANDICRAFTS

India's Heritage

PUPUL JAYAKAR

INDIA's tradition in handicrafts is as old as civilisation itself. It is this antiquity, retained and developed through centuries of adherence to the basic concepts, which gives it charm and beauty. Manu, the ancient law-giver, is believed to have established in village India a class of hereditary artisans and craftsmen, who even now retain some of the technical skill and artistic genius of their ancestors. Today, after the lapse of centuries, although greatly diminished in scope, the ancient heritage of our handicrafts lives with the same picturesqueness as in the past, and our craftsmen can still find in the supreme ideal of beauty their greatest creative force.

The craftsmen of ancient India traced their descent from Vishwakarma, Lord of the Many Arts, Master of a Thousand Handicrafts, Carpenter to the Gods, the Architect of their Celestial Mansions, the Designer of All Ornaments, the First of All Craftsmen. This mythological origin of India's craftsmen provides them with a strong religious background for their handiwork and is a spiritual incentive to give of their best. A distinguished Indian sculptor has said: "According to the Indian tradition an artist is only considered accomplished when his repertoire of art consists of works in different materials. These are wood, brick (terraccotta), stone, lime (stucco), plaster, sugar, ivory, and flat drawing and painting. This versatile technical skill of the Indian artists is unique and is visibly present in the neat and complete workmanship which is found even in decadent art.

The antiquity of handicrafts in India is no longer a matter of doubt; spinning, weaving and dyeing of textiles being the oldest of them. It is now admitted that India exported to ancient Egypt the very fine muslins that were used as shrouds of the Egyptian royal mummies. Silks were also exported to the land of the Nile, perhaps from Bengal. Indications of cotton fabrics have been found at the site of the Mohenjo-Daro excavations and the finest muslins and silks are seen represented in the murals of Ajanta and Bagh caves. Metalcrafts, dolls, chisels and spearheads have also been found at the sites of the Indus Valley civilisation. In the Rig Veda we find mention of gold cups and vessels encrusted with gems, and some of the precious ornaments found at Taxila are very much like the jewellery of Greece of the fourth

century B. C. Pottery can also claim a very ancient lineage. The discovery of carved ivory specimens at the Indus Valley sites goes to indicate that even this art-craft was not unknown in India nearly 4,000 years ago.

Handicrafts, especially of the ornamental kind, are generally considered to be articles of luxury and meant only for decoration. To the rural craftsmen of India, however, this was not so. They produced articles of every-day use for the simple folk living in the vast countryside. This shows that the Indian craftsman and artisan is not only an artist, but he understands the tastes and needs of the rural folk. The Indian craftsman is an individualist, depending upon his own natural initiative, resourcefulness and inherited skill. He is always careful to avoid useless or wasteful ornamentation, and never allows himself to forget the purpose which the article he is adorning is designed to fulfil. He continually displays admirable skill in the arrangement of form and colour, producing beautiful and harmonious combinations which please the eye.

The development of Indian handicrafts was due in no small measure to the patronage extended to artisans by rich patrons, particularly kings and emperors. The village communities of craftsmen have always been centres of the traditional crafts of India. These



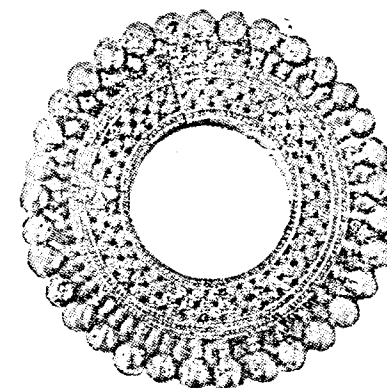
A sculpture at the Sun Temple at Konarka in Orissa

transport, shopping and entertainment facilities must be adequate. Our airports need to be modernised urgently to permit the landing of bigger carriers bringing large numbers of tourists; embarkation and disembarkation formalities have to be streamlined and we have to make available to tourists goods at reasonable prices through duty free shops. Overseas publicity on tourism should be closely oriented to visitor reactions so that India can tap to the full her rich tourist potential.

Factors which have contributed to the boom in international tourism include improvement in living

by causing a flow of the purchasing power from the more prosperous to the comparatively less developed regions.

Tourist expenditure generates and assists economic activity more than the initial spending by tourists. A research team commissioned by the U.S. Government to study the effect of tourist expenditure in the Pacific area made a survey of 17 countries of East Asia and the Pacific some years ago. According to this survey, (known in the travel world as the Checchi Report), tourist expenditure generates economic activity which is 3.2 to 4.4





traditions were preserved by the caste system. Their community of interests led to the formation of trade unions, especially on the migration of craftsmen to near-by towns and cities. The survival of these traditions over centuries and the preservation of the skills which once made Indian handicrafts valued throughout the world have an importance all their own. These handicrafts express the great traditions and cultural heritage of India.

With the attainment of Independence, the production of handicrafts has received new incentives. Among other things, a concerted effort is being made, not only to promote the production of handicrafts on a larger scale than ever before, but to send them out to the far corners of the world, carrying the message of India's ancient heritage. Indian handicrafts are also becoming increasingly important in the country's foreign trade.

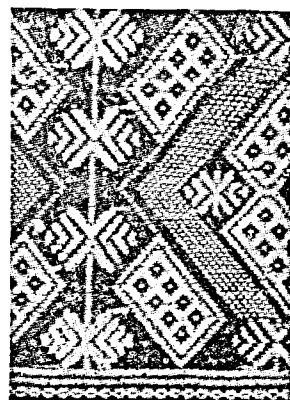
Purposive Drive

INDIA's purposive drive to export handlooms and handicraft products is a little over ten years old. Exports from this decentralised sector have increased remarkably during this period. The figure for 1967 should amount to over Rs. 40 crore.

In recent years there has been a growing awareness amongst those responsible for export programmes about the need for a sophisticated and professional approach to problems of production, quality control, design and export trading techniques. There has also been an increasing appreciation abroad of the importance of craft exports to the economy of India and of the problems faced by the craftsman in meeting the rigorous demands of importing interests. The reliance placed by Indian exporters on bulk importing channels abroad had put large sections of the craftsmen com-

munity at the mercy of a few importing houses. In recent years there has been a shift in the channels of merchandising abroad. More and more large retail selling agencies are setting up their own foreign offices and bypassing the established importing interests.

One of the major steps taken by the Government of India to stimulate exports was the setting up of the Handicrafts and Handlooms Exports Corporation of India in 1962, to meet the challenge of sophisticated demands of the non-traditional export markets of the world. During its five years of functioning, the H.H.E.C. has been able to introduce a more sophisticated approach to the export product and has given new direction



to the merchandising of Indian handicrafts abroad. It has launched major organisational, technical and marketing development programmes. It has also been able to evolve a method of merchandising, whereby it will be possible to directly place new products before the consumer abroad and ascertain direct consumer reactions. The H.H.E.C. has set up retail-cum-wholesale offices in New York, Paris, Montreal and Nairobi. It hopes to establish retail shops in the main capitals of the world. These retail units of the H.H.E.C. help establish not only prestige images for Indian products abroad but also channel information regarding changes in consumer demands to appropriate production units.

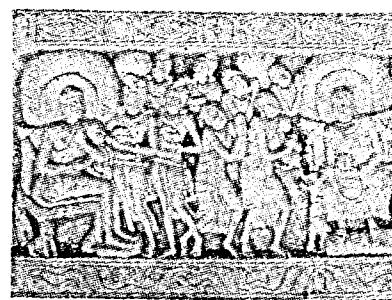
Retailing Abroad

H.H.E.C.'s experience of retailing abroad has been most rewarding. It started its retail selling in 1964-65. In 1967-68, its foreign exchange earning out of its retail sale opera-



tions will be over Rs. five crore. One of the advantages of selling Indian hand-produced goods on a retail basis has been that the earnings per unit are very much higher. Another advantage is that Indian craft goods, which are often in short supply can be sold at good prices. One of the problems the Indian exporter has always faced is the difficulty of the Indian craft economy to gear itself to the enormous demands of the importers when they become interested in certain types of goods. As in the case of Bleeding Madras, once greater production is established, a sudden change in demand makes it impossible for the craftsman to adjust himself swiftly. This results in extreme hardships to craftsmen.

In the coming years constant attention will have to be paid to identification of craft products for export, organisation of production, to growing demands, sophisticated design and technical development of production methods, quality control, and the establishment of a two-way channel of marketing abroad. There will be need to bring the products directly to the consumer on the basis of consumer reaction, and also to utilise trading channels abroad for mass distribution.



Books

EXPORT MARKETING

Techniques of Export Marketing by Irudayam. Published by Asia Publishing House. xii+163 pages. s. 22.

THIS little book should be the constant companion of every exporter or intending exporter. It explains the why and how of exports lucidly and with perfect understanding of the complicated procedures. The author is well qualified to speak on the subject as he was engaged in teaching it for some time at the Central Small Industries Organisation as well as at the Indian Institute of Foreign Trade. There is evidence that he is intellectually involved in the complexities of export techniques as any expert on any subject ought to be. His approach is that of a teacher anxious to make his pupils understand.

The material is presented in the form of questions and answers. Sixteen basic questions are asked and the book is divided into as many chapters. These are: Why should we export? What products can we export? Who can export? How do we export? How to find the foreign buyer? How to prepare goods for despatch? How to prepare goods in export trade? How to calculate and arrange for freight and insurance in export trade? How to prepare or arrange for export documents? How payment for goods is effected in export trade? How to comply with the foreign government regulations? How to handle export advertising and publicity? How to handle disputes in export trade? The "how" and "why" of packaging for export. How to avail of the facilities offered by the government to exporters?

"Export or Perish" is a cliché creaking with age but it is an

appropriate slogan for India of the present day. India exports Rs. 800 crore worth of goods every year. This figure has to increase substantially, because within the next few years a fifth of the exports must be earmarked for repayment and servicing of external debts. India's exports consist of goods only, unlike some advanced countries which export both goods and services. In a highly competitive world market, India's ability to manoeuvre is limited. The traditional export items—tea, tobacco, hides and skins, cotton textiles and jute—still constitute the bulk of our exports, although their share is declining. Of these, jute and tea alone account for 40 per cent of all exports. Pakistan has in the last decade made a serious dent into our export earnings from jute which also faces stiff competition from synthetic packaging materials. In these circumstances, India's continued presence in the world market in jute—and this is partly true of other goods as well—would depend on Indian exporters' resourcefulness to rise to the challenge. Apart from the quality of goods, attractive packing, prices and so on, the Indian exporter can never afford to undermine the foreign buyers' faith in Indian goods or in the reputation for their dealing by Indian businessmen. This is an aspect which is often neglected by Indian exporters.

Unhealthy Price Competition

The author points out that in India, as in many other countries, certain exporters have earned a bad name for themselves and for their country by exporting goods which are not of the required standard and by indulging in unhealthy price competition.

Worthy of emulation, although the author does not actually say so, is the practice prevalent in Japan where the Government is empowered by law to take penal action against any exporter who is found guilty of unhealthy commercial practices.

Another aspect often ignored by the Indian exporter is advertising and publicity. The author devotes an excellent chapter to this subject and gives useful hints as to how the exporter to this subject and given useful hints as to how the exporter can go about advertising his goods in other countries.

Prospective Items

Mr. Irudayam has drawn attention to the fact that non-traditional items, especially the modern manufactured goods have captured some foreign markets. The table on page 8 shows that exports of these goods have been rising at the rate of about 25 per cent a year. The author could have usefully given the precise value of these goods imported by particular geographical regions. Such an analysis would have brought out the immense possibilities of trade in manufactured goods with underdeveloped countries. The fact is that India has reached a degree of sophistication in technology when she can export a wide variety of consumer and capital goods required by developing countries. There are illustrative lists of products which India can export. The lists, the author says, have been drawn up on the basis of enquiries received by the State Trading Corporation from various countries.

The author could have used more up-to-date figures for his illustrations. For instance, Table 2 gives the figures of exports for 1960-61 and nothing beyond. For the interested student, there is a fairly exhaustive bibliography. And for the busy exporter, the book contains all that he needs to know. The printing and get-up is very good.

K.S.R.

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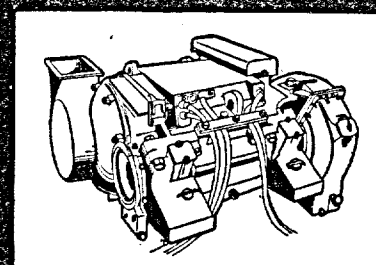
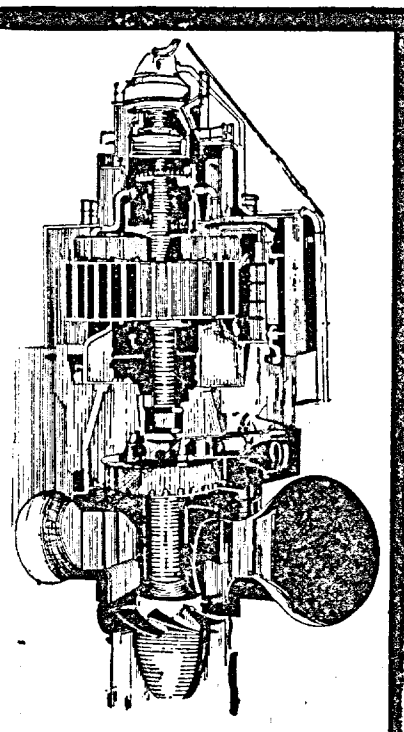
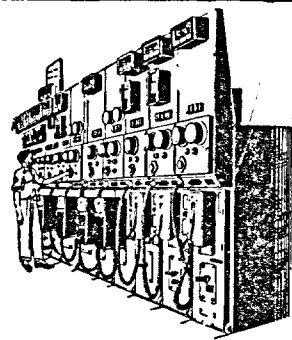
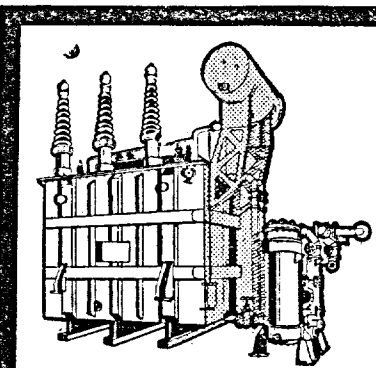
Technical literature and illustrated catalogues are available on request.



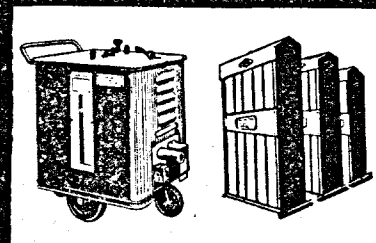
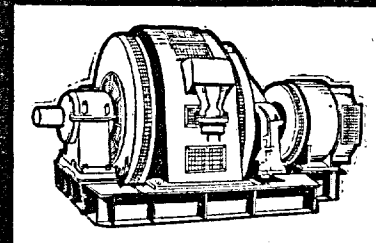
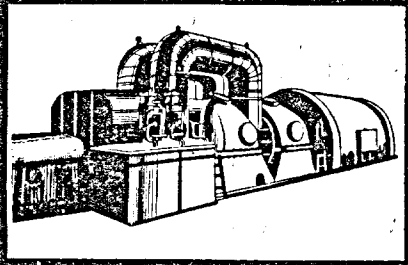
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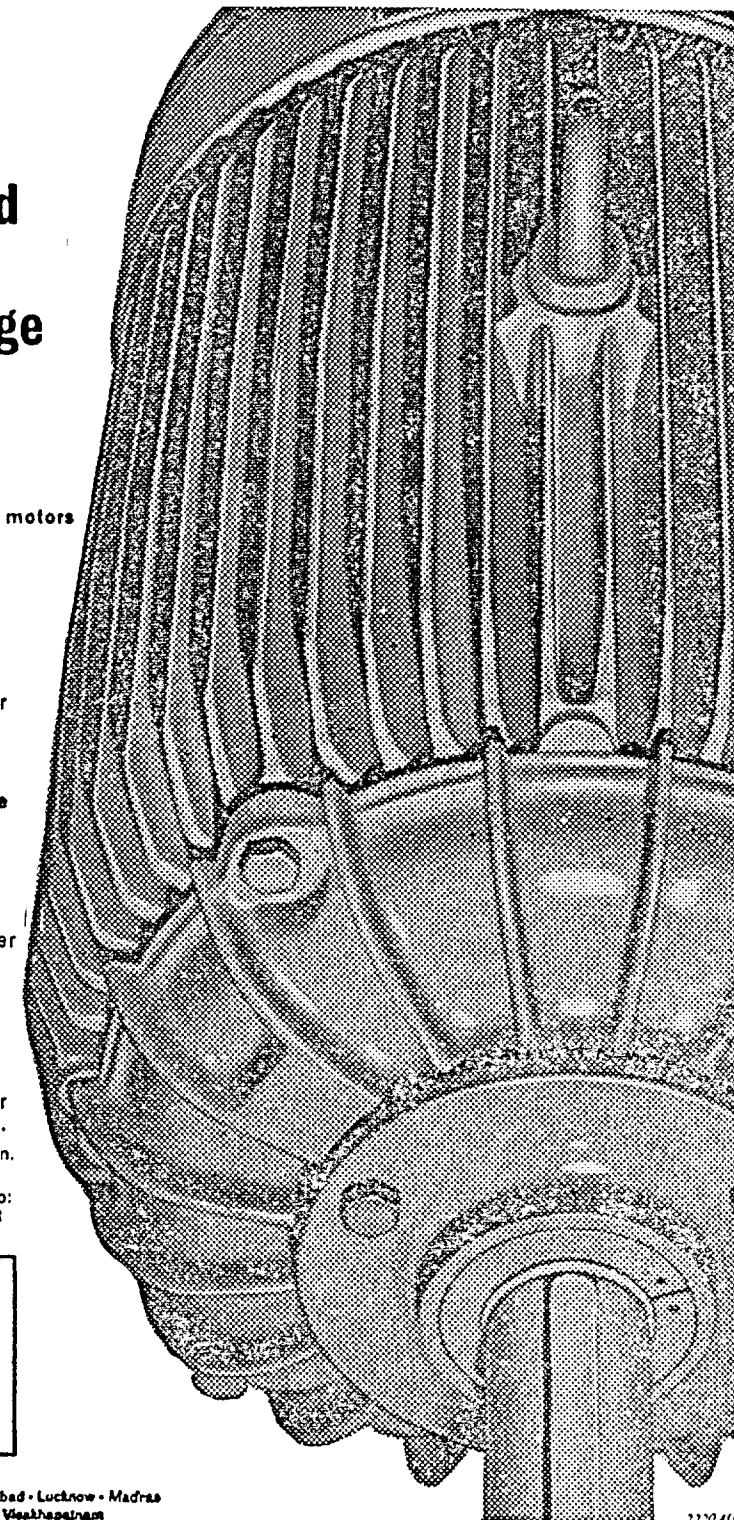
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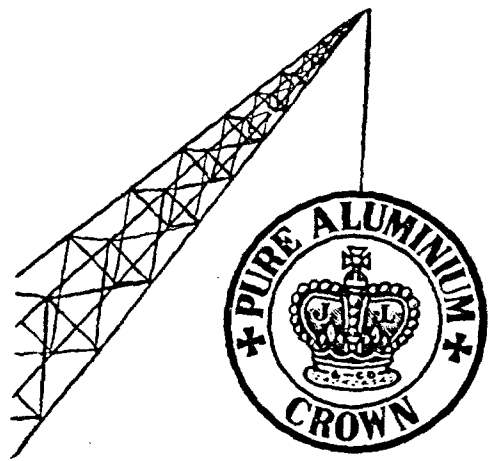
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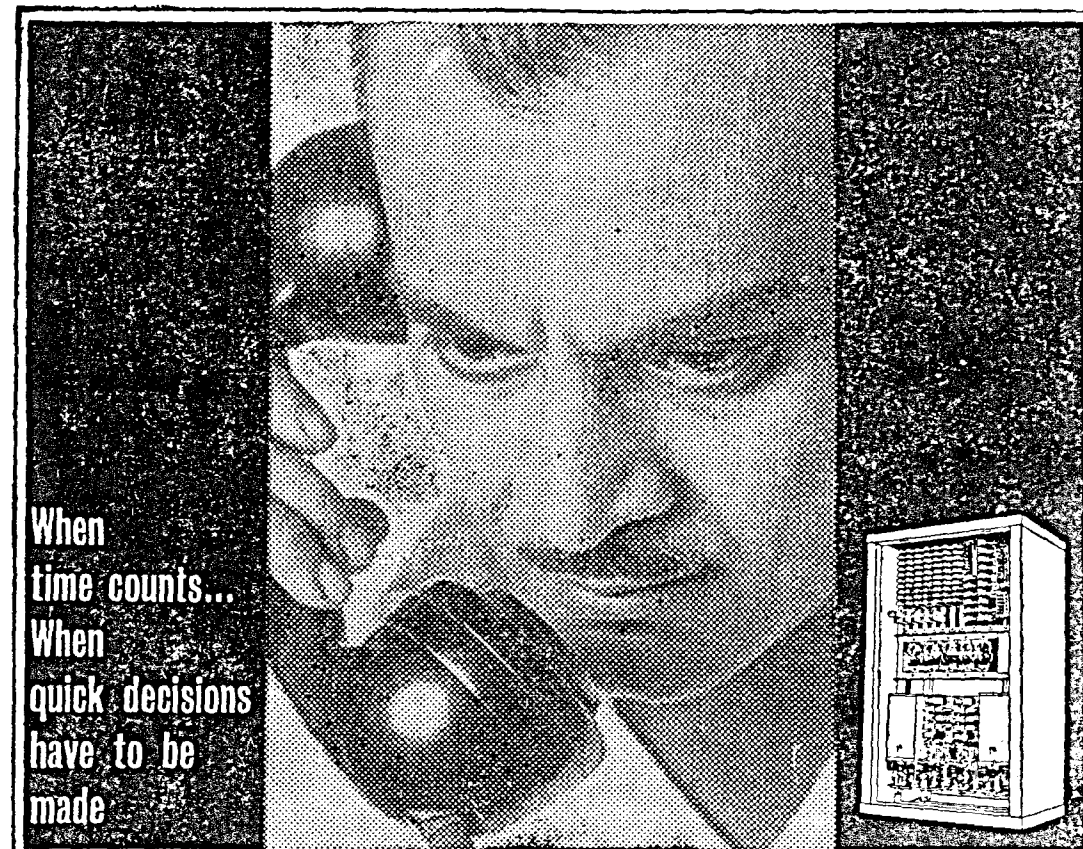
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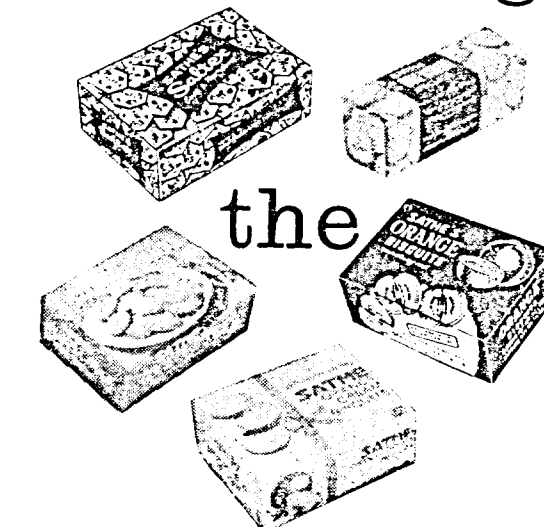
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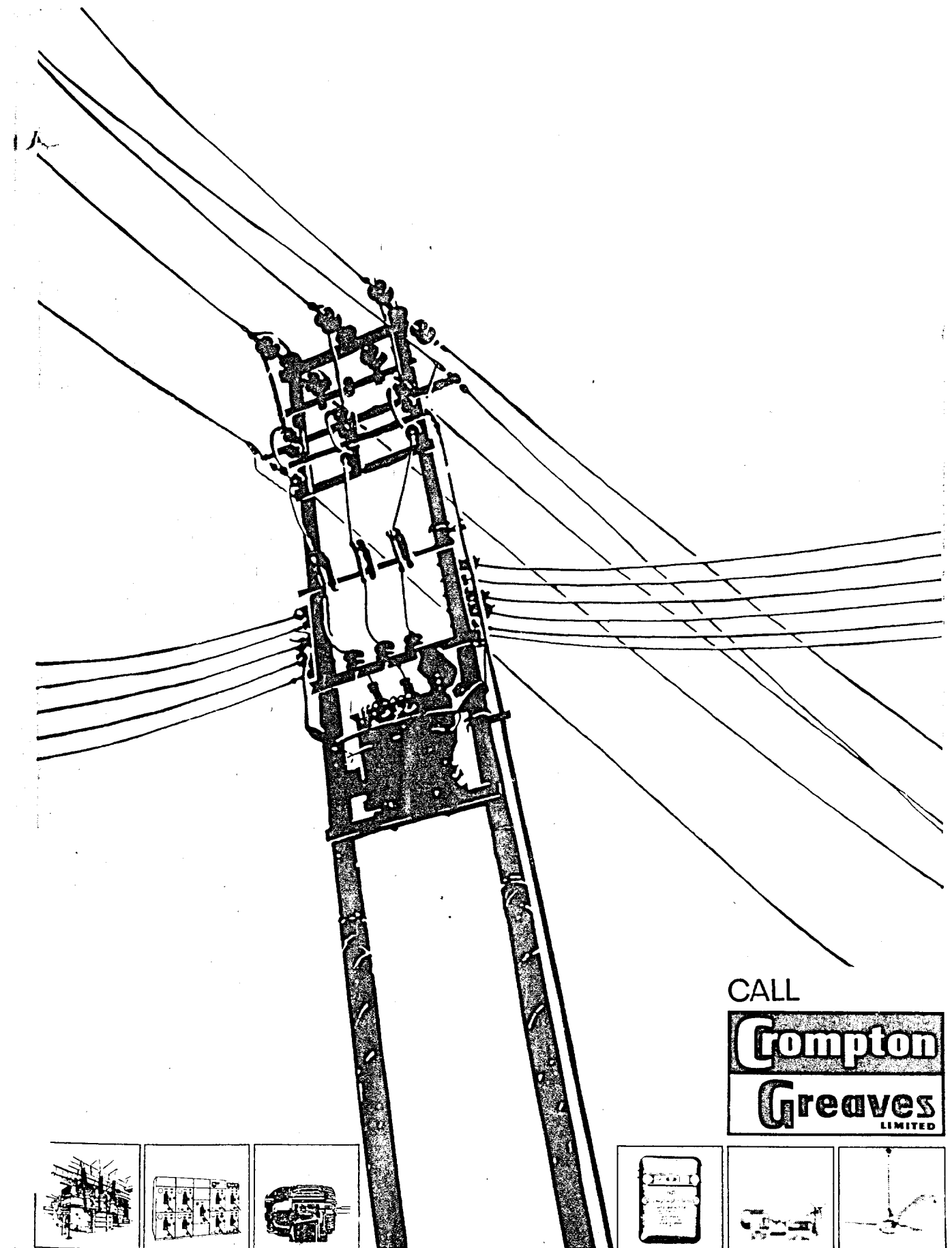
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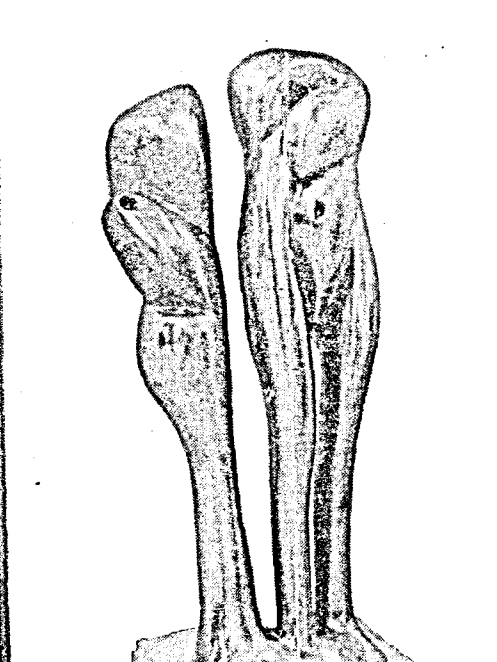
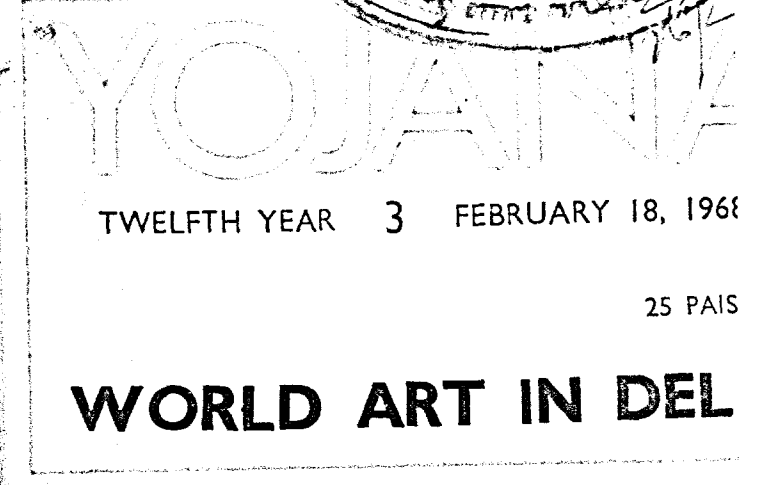
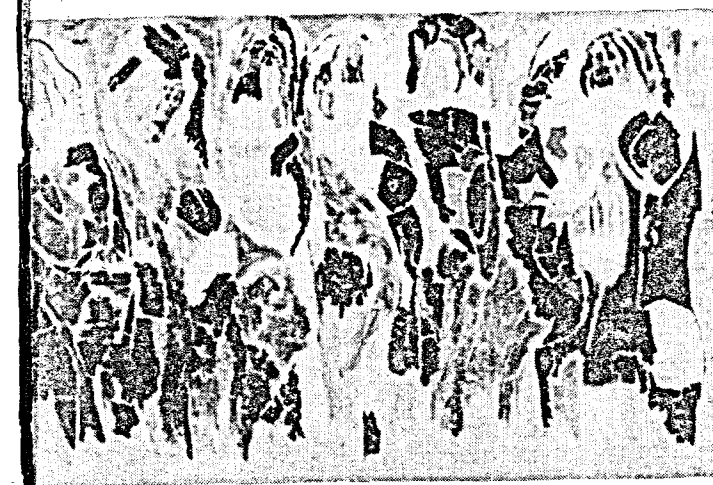
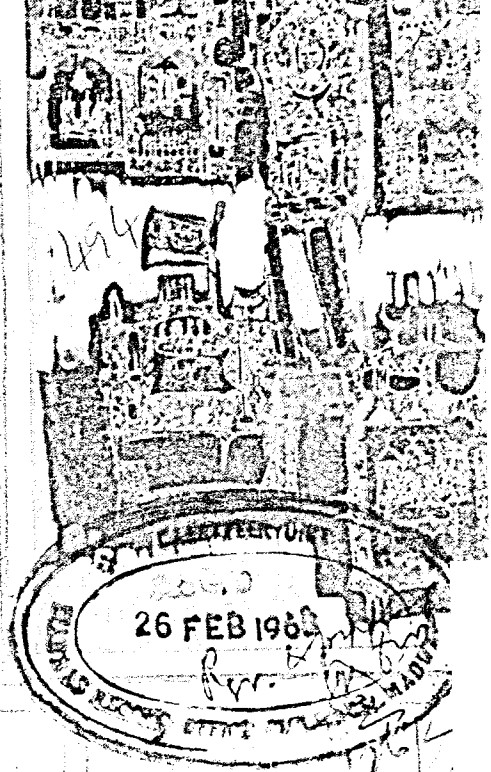
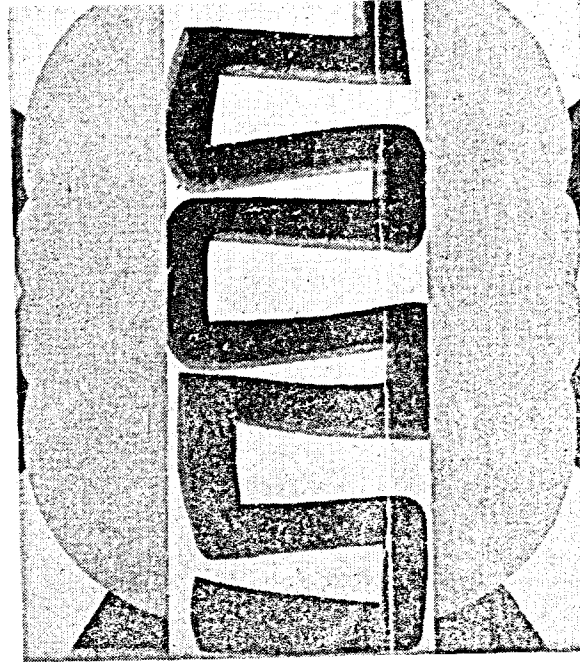
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YOJANA

Fortnightly Journal published on
behalf of the Planning
Commission

Vol. XII

No. 3

February 18, 1968
Magha 29, 1889

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Cover designed by Jivan Adalja
(see also pages 5-7)

**Yojana seeks to carry
the message of the Plan,
but it is not restricted to
expressing the official point
of view.**

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WAR ON HUNGER

THE food problem, which has reached awesome dimensions, is a major challenge facing the civilised world today. The alternative before humanity is, either to increase food production to meet the demands of a fast-growing population, or perish as an inevitable consequence of history. It is now widely accepted in developing countries that agriculture is the essential base for significant economic progress ; and at long last agriculture is getting priority in schemes of national development.

The scourge of hunger has reached the proportions of a global malady, which, it is recognised, requires a massive, imaginative and worldwide effort unprecedented in human history. A major step to meet the inevitable consequences of diminishing food production for a growing population was taken at the First World Food Congress in the summer of 1963. The Congress, taking note of the futility of trying to meet the danger of mass starvation by localised acts and *ad hoc* measures, asked the Food and Agriculture Organisation to embark upon a bold venture. F. A. O., the Congress suggested should go beyond the conventional concepts of planning and investigate the requirements of agricultural development, food production and the directions in which nations and regions should work to meet the needs in a *world framework*. The terms of reference for F.A.O. also included the preparation of a plan of action to meet the needs of the world population in the next one or two decades. Considerable progress has been made on this project, but a great deal still remains to be done.

Half of the world is inadequately nourished and, as a result, food resources are very often most limited in countries that are facing increasing pressure from population explosion. The prospect of a doubling of the world's population in the next three decades or so, looms as a terrifying spectre to all those who are concerned with trying to feed those who are living today.

The problem of feeding the world's population is not only a question of quantity, as determined in terms of caloric intake, but of quality, which means its nutritional value. In the developing countries of Asia, Africa and Latin America, in particular, protein deficiency is the most deadly enemy of young children. It leads to millions of children with stunted bodies and possibly stunted minds. Insufficient protein intake makes children (and adults) more susceptible to disease.

There is increasing awareness that the food problem is not only a race between food and people. There is also widespread recognition that the overwhelming threat of famine must not obscure the fact that there is widespread malnutrition. The scourge is being tackled in the home and in the laboratory, and some progress has been made in this direction. Nevertheless, the first priority of the food problem remains yield—the production from the farm and the field. In this context, the bumper crop that India has raised this year is a battle well-fought and well-won. Man and Nature have joined to make the prospect bright and hopeful ; but it is only the beginning of a long journey towards plenty and prosperity.

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Amrita Bazar Patrika

CROSSES HISTORIC MILESTONE

AMONG the many journals and newspapers that have an enduring place in the annals of the Indian Press, perhaps one of the most notable is *Amrita Bazar Patrika*, which observes the centenary of its birth on February 20. Though it is not the first journal to be published by Indians, it is the only one that has survived long, arduous years, during which it has championed the cause of Indian independence.

Amrita Bazar Patrika was born in obscurity in the insignificant village of "Amrita Bazar" in the Jessore district of Bengal which is now in East Pakistan. The publisher was Shishir Kumar Ghosh, the third among eight brothers, who belonged to a truly remarkable family. The publication of the journal was preceded by another named *Amrita Prabahini*, a fortnightly journal in Bengali, started by the eldest of the Ghosh brothers, Basanta Kumar. He sent Shishir Kumar to Calcutta to buy a printing machine and he returned with an old wooden contraption for which he paid Rs 32. While in Calcutta, Shishir Kumar picked up the rudiments of printing, and he brought with him a printer, a compositor and a small supply of types, printing paper and accessories. The *Amrita Prabahini*, however, ceased publication after a few months and Basanta Kumar also died. Shortly afterwards, Shishir Kumar and his brother Hemanta Kumar, who were employed in the Income-Tax Department, resigned

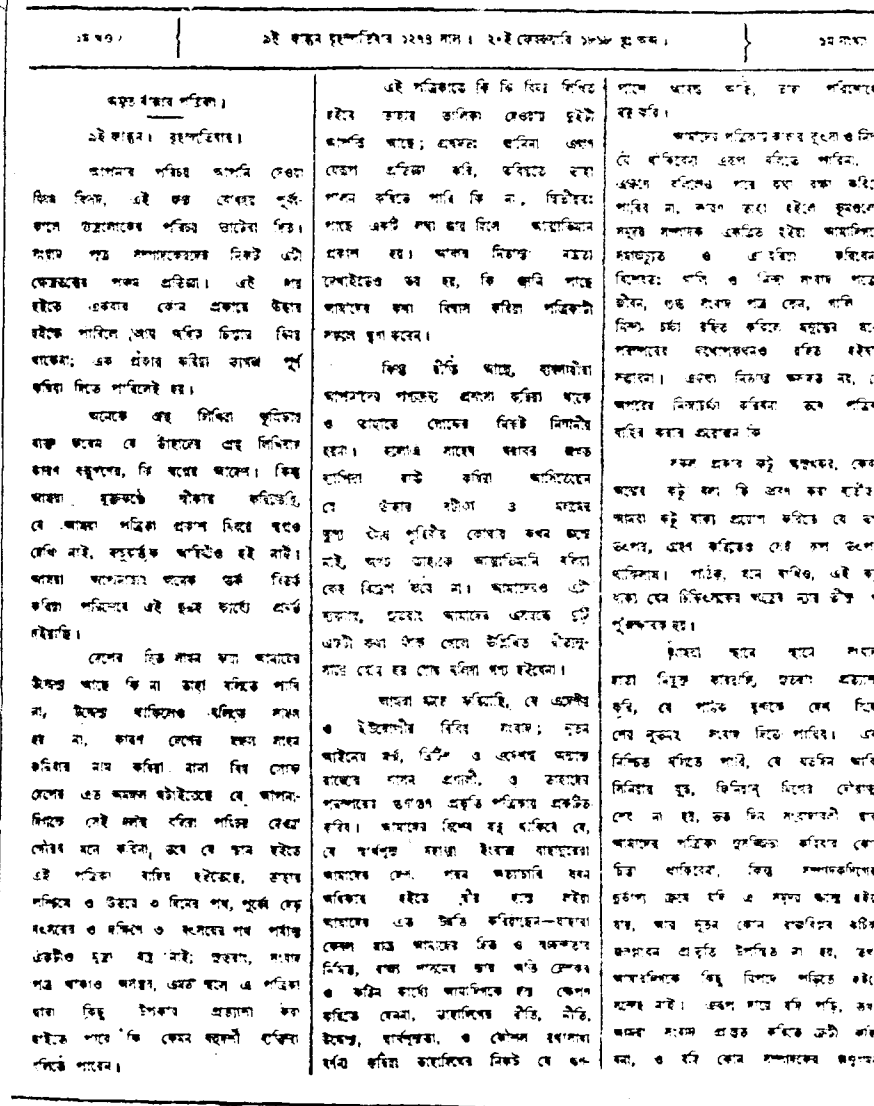
SARADINDU SANYAL

The history of the Press in India is the inspiring and exciting saga of a subject peoples' fight for independence; a chronicle of the hopes and aspirations, of the trials and tribulations, of the sacrifices and successes of a nation struggling to be reborn in freedom. It is a record of the heroic efforts of a long line of men who dared to challenge the authority of the mightiest Empire in history and suffered in the cause of human liberty. It is the story of men whose indomitable courage stood against the tyranny of alien rulers and their henchmen, and gave voice to the mute millions crying out for justice. It is, in short, a part of the history of India in recent times.

their jobs, and started a Bengali weekly journal which they named *Amrita Bazar Patrika*. Some leading lawyers and friends gave financial assistance to the brothers, and thus helped to launch the journal on its eventful course.

The *Patrika* was born in the troublous times following the first War of Independence (the Sepoy Mutiny of 1857), and was brought up in an atmosphere surcharged with growing antagonism against the British rulers and those that served the Imperial cause. It was an India slowly awakening to a new sense of nationhood, united in its fight for the right to life, liberty and the pursuit of happiness. The badge of slavery had been firmly fastened on every Indian when the governance of the country was transferred to the British Crown and India became an appendage of the Empire. A systematic policy of suppressing popular clamour against injustice and economic exploitation was let loose in towns and in the countryside. It is in this context that the *Patrika* made its appearance.

Starting as a purely Bengali journal, the proprietors introduced columns in English in 1869. Within four months of its appearance, however, the journal had to face an action for libel for publishing an article written by one Raja Krishna Mitra, the head clerk of the Joint Magistrate. After a protracted trial which went on for eight months, the prosecution failed to establish



Facsimile of the first page of the first issue, dated February 20, 1868.

the identity of the editor; but the author of the article and printer were sentenced to imprisonment and fine. The *Patrika* had weathered the storm and had come out stronger.

In October 1871 the *Patrika* moved to Calcutta. But, the move was only a token one because the paper had to suspend publication, while Shishir Kumar was negotiating the purchase of a printing machine, which was eventually purchased of Rs. 600, and the

Patrika resumed publication as a bilingual weekly in February 1872.

As a metropolitan journal, the *Patrika* had an immediate impact and gained considerable readership. Its popularity, however, suffered in 1875, when the paper supported the official Bill to amend the Income-Tax Act, which was before the British Parliament. The Bill was violently opposed by the European community and the Anglo-Indian

Press; but the *Patrika* felt that the provisions of the Bill affected only a small minority which could afford to pay. The journal's support for the measure was cited by the British Prime Minister, Mr. Gladstone, who said: "The *Amrita Bazar Patrika*, the organ of the people, has extended their full support to this Bill. The hue and cry raised by a small section of the public should therefore be ignored."

The stand taken by Shishir Kumar on the Bill, from which he refused to resign, cost the paper dearly; and its sales fell so low that a circulation drive had to be undertaken. An Indian judge of the Calcutta High Court, Dwarkanath Mitra, complained that the language of the journal was "characterised by a virulence which may afterwards come to influence the masses and spread discontent and disaffection in the country." To this, Shishir Kumar's reply was that the people were "more dead than alive" and they had to be roused, for which the language "had to be loud and penetrating". He declared that the *Patrika* had been started to awaken the people to their abject condition and to infuse in them a sense of patriotism.

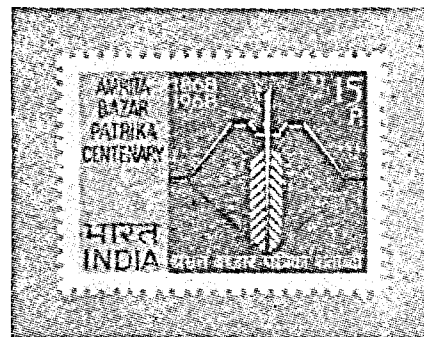
Evidence of the role the *Patrika* was playing in shaping public opinion came early in 1876 on the question whether the Calcutta Municipality would continue to be run by a nominated body or by elected representatives of the rate-payers. Opinion was sharply divided; but the issue was clinched when Shishir Kumar submitted to the Select Committee, which was considering the Bill, a memorandum signed by nearly 50 thousand rate-payers in support of the elective system. The Bill was passed, and the first step was taken towards giving the Indian people a measure of self-government.

A question which was increasingly engaging the attention of the Government, ever since the first newspaper made its appearance on the Indian scene was the manner and degree of regulation and control that

should be imposed upon the Press in the country. Various steps had been taken from time to time; but official attitude at the very highest level, both in India and London, was sharply divided. Lord Wellesley believed in dealing with the Press, which often came into direct conflict with authority, with a firm hand. He laid down regulations which required newspapers to carry in imprint the names of the printer, editor and proprietor, and to declare themselves to the Secretary to the Government, who was empowered to function as censor in respect of all material published. Official control was further extended in 1823, when an Ordinance was promulgated requiring publishers of newspapers and journals, except certain categories, to obtain a licence for doing so from the Governor-General-in-Council, signed by the Chief Secretary of the Government. Despite these and other measures, the Government was becoming increasingly uneasy about the attitude of the Press generally and its relations with the Government. It was particularly suspicious and apprehensive of the vernacular newspapers, as the Government had to depend very largely on Indians to acquaint itself with what was appearing in Indian language newspapers.

VERNACULAR PRESS ACT

In 1873, the then Lieutenant Governor of Bengal, Sir George Campbell, instituted an enquiry into the Indian-owned Press of Bengal, and expressed himself very strongly in favour of enacting more stringent regulations for its effective control. The other provincial governments, with the exception of Madras, agreed with this view. When Lord Lytton became Viceroy in 1876, steps were initiated to achieve this objective, and in March 1878, the Vernacular Press Act became law. The objects were to place the newspapers published in Indian languages under "better control" and to give more effective powers to the Government to punish and repress



Facsimile of the commemorative stamp to be issued by P & T Department to mark the occasion.

sedition writings calculated to create disaffection towards the Government.

The man who brought the infamous Bill before the Governor-General's Council was the then Lieutenant Governor of Bengal, Sir Ashley Eden, who openly expressed regret that the English Press was not to be silenced simultaneously. Sir Ashley Eden, who wanted to rule Bengal with an iron hand, had already bought over the editor of the *Hindoo Patriot*; and he wanted to do the same with the *Amrita Bazar Patrika*. Shishir Kumar was invited to meet him, and the story of that encounter is told by Motilal Ghosh, according to whom the Lieutenant Governor made his proposition in these words:

"Let us three, I, you and Kristo Das (Editor of the *Hindoo Patriot*), govern the province. Kristo Das has agreed to conduct his paper according to my direction. You will have to do the same thing. I shall contribute to your paper as I do to the *Hindoo Patriot*. And when you write an article criticising the Government, you will have to submit the manuscript to me before publication. In return, the Government will subscribe to a considerable number of your paper, and I shall consult you as I consult Kristo Das in carrying on the administration of the province."

Shishir Kumar contemptuously rejected the infamous proposal and told the Lieutenant Governor that "there ought to be at least one honest journalist in the land".

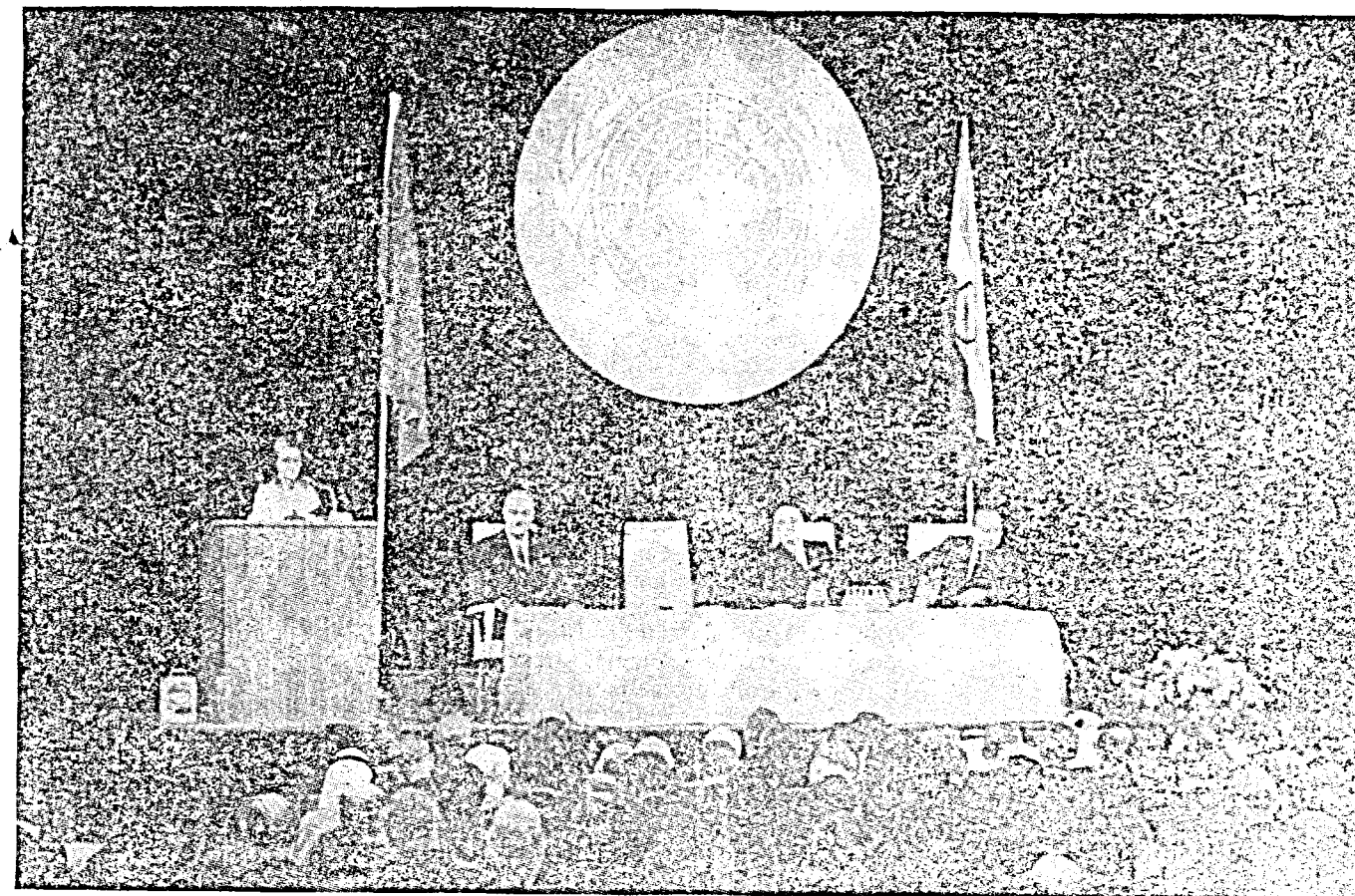
The Vernacular Press Act owed its origin to this incident; and the blow was aimed mainly at *Amrita Bazar Patrika*, which was an Anglo-Vernacular newspaper and fell within the scope of the Act. But Shishir Kumar and his brothers were too clever for Sir Ashley; and on March 21, 1878, before the Act came into force, the *Amrita Bazar Patrika* came out as a full-fledged weekly in English. Thus the *Patrika* defeated the well-laid plans of the British Governor. This was a turning point in the life of the journal, which had firmly established itself in just over a decade, not only as the champion of the rights and liberties of the people; but had successfully challenged and outwitted the machinations of a ruthless and unscrupulous autocrat.

WEEKLY TO DAILY

The next landmark in the life of the *Patrika* came on February 19, 1891, when it was converted into a daily newspaper. And, with this, the *Patrika* was flung into the very centre of far-reaching events which paved the way for the independence of India. The *Amrita Bazar Patrika*, which Lenin described in 1920 as "the best nationalist paper in India", not only played a leading part in these exciting events, but did a great deal to create public opinion on major national and international issues. From an unknown Bengali weekly journal published from an insignificant village, it had become a "national" daily.

Time was marching on, and as event succeeded event with bewildering rapidity, the voice of the *Patrika* was heard above the din and bustle, giving expression to the anger of the people against their British masters and creating public opinion for the

turn to Page 30



TONE SET FOR POSITIVE ENDEAVOUR

A CLOSE-UP VIEW OF THE FIRST TWO WEEKS OF UNCTAD-II

M. SUNDARARAJAN

IN the first few days of UNCTAD II, there was an undertone of pessimism, as the major powers unfolded their entrenched positions, showing the new frontiers of world trade as but a distant mirage. But as the echoes of their public statements faded away, the chambers around the main hall of Vigyan Bhavan witnessed some

hard and delicate exercises in the art of the possible. Predictions of a fruitless confrontation between the rich and the poor proved wrong and the tone of the speeches turned out to be one of urgency and positive endeavour.

Nowhere was this mood better illustrated than in the field of preferences. While France asserted her right to continue the reverse preference from the developing countries associated with the European Common Market, the United States called it an anachronism. Mr. Eugene Rostow, the delegate, posed why his country should discriminate in favour of goods of those countries which discriminate against American goods? He was joined by many others, who wanted a generalised system of preferences, without reverse preferences, for all developing countries. India pointed out that, after all, the two views

were not irreconcilable. As the British delegate stated, a generalised system of preferences must be evolved so that those, who enjoyed special preferences, would know the extent of loss or gain, before giving up their present exclusive benefits. Even countries like Japan and New Zealand, whose industries, they asserted, would be affected under a generalised preference for the manufactured and semi-manufactured goods of the developing countries, agreed to the idea. As one Indian delegate said, there was enough consensus already on the issue of preferences that further debate was unnecessary. India suggested a working party to work out a time-table and prepare the ground rules so that a preference system was ready to be launched latest by the end of this year.

But preferences were only one aspect of the problem. On the



Mr. DINESH SINGH
Cartoon: Ranganath

question of advance implementation of the cuts agreed to at the Kennedy Round, only Switzerland gave the good news of implementing them in one step, while Australia announced that more goods would be added to the preference list from July next. Barring these purple patches, the outlook seemed bleak, because of the emergence of protectionist trends in several advanced countries after the Kennedy Round. New Zealand complained of subsidised competition to her dairy products. The Philippines accused the vested interests who wanted raw copra instead of coconut oil from her. Ceylon stressed the need to lift barriers on processed primary products from the low-income countries. After all it is an open secret that more the processing, the taller would be the peaks of tariffs.

Not only has the free access to the markets been restricted, but the prices fetched by the primary goods of the developing countries have also gone down. The wor-

sening of the terms of trade has meant a loss of about \$ 2,000 million a year. And this explains the almost universal cry for concluding Commodity Agreements.

Here again there were differences of approach. Should the object be stabilisation of the prices of primary commodities or increase in their trade? It was pointed out that if prices were fixed against market trends, consumers were likely to take to synthetics. It was this aspect which prompted the USA to suggest that where there could be substitutes, diversification programmes should receive more attention so that gradually the developing countries would adjust their resources to the new situation. The Soviet Union, however, stated that the 'Number One Task' of UNCTAD was stabilisation of commodity trade. Ghana stressed the need for an international agreement on cocoa, while Australia voiced the urgency of concluding one on sugar. While Hungary suggested long-term, bilateral agreements to stabilise markets, the general emphasis seemed to be on a multilateral approach.

COMMODITY AGREEMENTS

The conclusion of Commodity Agreements does not preclude the need for supplementary finance for the developing countries. This was well argued by Sweden. Economies of many countries depend on the export earnings of a few commodities. The Ghana delegate frankly said he did not know what the price of cocoa would be next week. Commodity agreements were necessary to safeguard their export earnings but supplementary financing was also essential to implement their development plans without interruption. While Britain, West Germany and Switzerland supported the supplementary finance scheme, France maintained that the need for the scheme itself would have to be attacked by a proper organisation of markets, which appeared to be a good ideal difficult to realise. The United States was lukewarm about the idea. Norway reflected the general mood, when she offered to support action for the scheme, "here and now". The U.A.R. pointed out that the compensatory finance

scheme of the I.M.F. has fallen short of the need, recourse to it had seldom been made. Though Ceylon and India wanted the supplementary scheme, it was doubtful whether it could come about except as part of a general reform of the I.M.F. itself. That perhaps explained why India proposed a fund under the UNCTAD itself, for safeguarding the natural products of developing countries.

GOOD NEWS

Related to the problem of adequate earnings of the low-income groups, are the shipping facilities for their goods. While Norway called it "logical" to remove restriction in this field against the developing countries, and many others including Mexico condemned discrimination, India put forward a plan to underwrite the operational loss likely in the initial years from direct shipping services between developing countries. Also, she suggested that purchase of ships be made out of normal development aid and/or on deferred payment. The Committee on Invisibles has thus a concrete proposal before it, though the very idea of promotional freight charges is yet to be accepted by all.

On the question of increasing aid, the reassurance was mainly from Mr George Woods, the President of the World Bank. He gave the good news that the funds of the International Development Association, the soft-loan affiliate of the Bank, would soon be increased by 60 per cent more than its first replenishment. While France and West Germany pledged ready support to increased aid, Britain and the United States hesitated pointing out to their present difficulties. Indeed, the British delegate told newsmen that as long as America was in payments difficulties, British aid could not be increased much. Ceylon wanted immediate implementation of the target of one per cent of the Gross National Product as transfer of resources to developing countries. But it was Mr Woods who stole the limelight by his frank reference to foreign aid being used more to promote export sales of the donor, to strengthen his diplomacy or the strategic military targets. He pleaded for a move away from expediency to effectiveness.

In this context, India pointed out that there was no justification for tying aid to purchases from the donor country which had no payments difficulties. The immediate emphasis seemed to be on mitigating the ill-effects of tied aid, which result in an excess cost of over 1,000 million dollars a year to the low-income countries. Canada had already broken the ice by saying she was prepared to consider steps in this respect. The British delegation pointed a way out. Perhaps the donor country could have better control over prices of the aid equipment and introduce an element of choice for the recipient by a system of bidding for tenders but giving the contract to those who would give the aid. The emphasis was, however, on multilateral action as openly proposed by Sweden, so that no one country ran the risk of adding to its payments troubles.

The developing countries have hoped that with the creation of Special Drawing Rights in the I.M.F., the rich countries would be in a position to give more aid, as acceptance of the scheme would safeguard the donors' payment position. But U.K. has sounded a note of caution, by arguing that the very birth of the SDRs may not come about if it is sought to be linked with a share for developing countries. The Organisation of American States, on the other hand, stated that the mistake of Bretton Woods was repeated at Rio, when an equal proportion of increase in liquidity was agreed upon for both the rich and the poor nations. The voting in the IMF is still weighted in favour of the richer countries and an uphill task awaits the Third World.

TIP OF ICEBERG

Why only governmental aid? That is only the tip of the iceberg, to quote Mr Rostow. His view was that the major resources of the United States being in the private sector, developing countries could not afford to ignore them. He suggested a legal framework to ensure a fair deal both to the donor and the recipient. Indonesia and the Philippines referred to the laws they have enacted to attract private capital from abroad. West Germany also wanted more scope for private aid, while the Swiss said

the test should be efficiency, in the absence of which infant industries in the newly emerging countries continued to be "infants" in a sheltered market! Ethiopia, however, pointed out to the reluctance of governments to allow access to private capital bonds.

EQUAL DISCRIMINATION

From the declarations it was clear that an earnest attempt would be made to enlist the active co-operation of the socialist countries. Yugoslavia frankly said, the three groups—the developing countries, the socialist group, the market economy countries—had moved from equality of treatment to equality of discrimination. The Yugoslav call to intensify trade ties with socialist countries was echoed by many others including India. The Soviet Union declared that an improvement in East-West trade would not jeopardise the interests of the Third World. The growing volume of India-Soviet trade was shown as evidence of the new trend on the part of the Soviet Union to increase the off-take of goods in repayment of her credits given for industrial development. Preferential treatment within the import plans of socialist countries for the goods of developing countries was demanded by Mexico and some others. U Thant put the ball in their court, when he hoped that socialist countries would one day participate in multilateral aid.

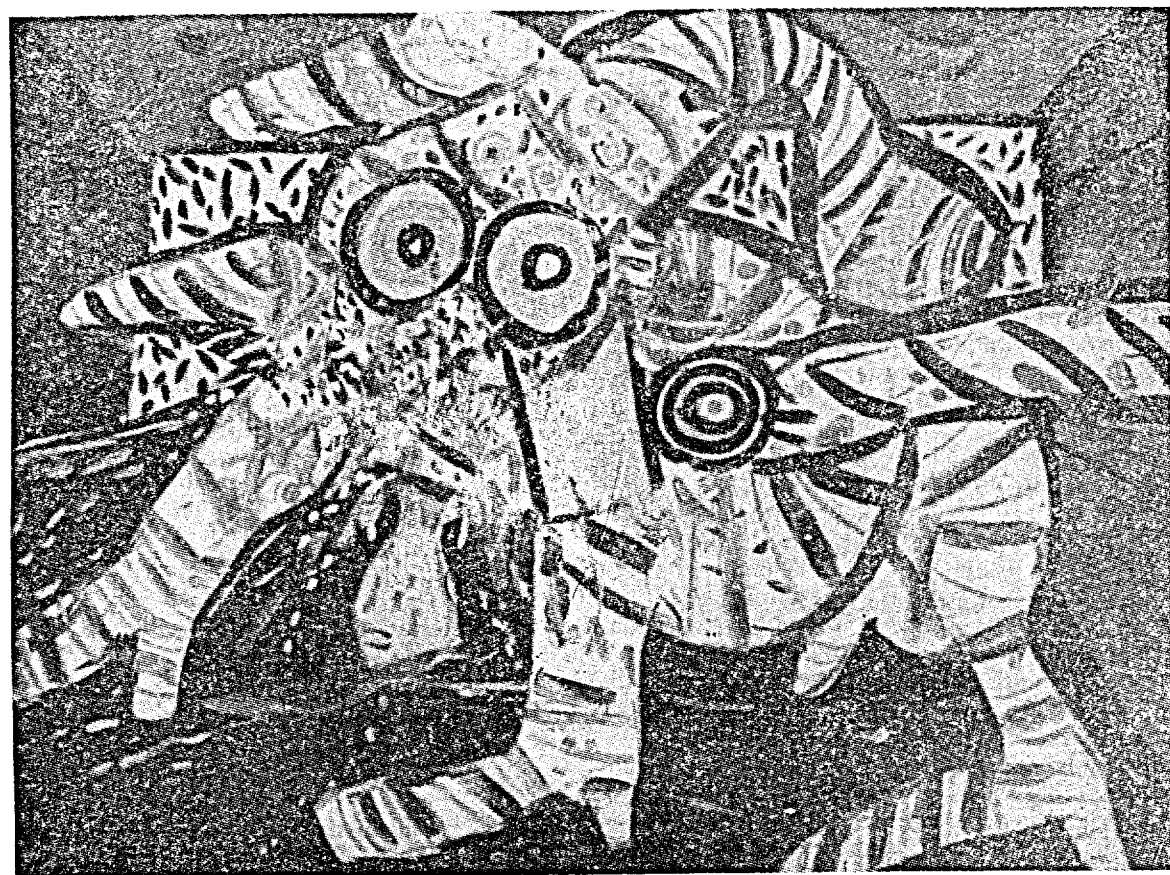
What was the role of the developing countries themselves? More than one advanced nation underlined the need for creating proper conditions to sustain the aid and absorb the new technology and undertake a dynamic export drive. And trade preferences could not be the cure-all. For they had meaning only if there were industrial goods to sell. Herein lies the significance of the Agreement of UAR, India and Yugoslavia on mutual preferences with scope for joint ventures. India's alternate delegate said, any of the developing countries was welcome to join the Agreement which would be flexible enough to allow for the special needs of various countries. While Israel pointed out that regional co-operation would reduce the cost of development, Indonesia stressed the

role of bodies like the Association of South East Asian nations. While the U.S.A. said, new impetus must be given to regional co-operation, Canada warned that "inward-looking" groups were no answer to a reduction of trade barriers. The problem of developing countries went deeper than the sphere of industry. It was one of "social reform, wise leadership and a measure of sacrifice," for there was neither "instant" nor "painless" development. Increasing dialogue with the advanced nations was bound to change the contents of the new strategy being evolved by the developing countries.

About UNCTAD itself, the view was gaining ground that it should become a fully negotiating body, with closer relations with G.A.T.T. As regards the membership of UNCTAD, the walk-outs against the presence of South Africa helped to highlight the anachronism of apartheid when trade barriers were broken. Issues of a political nature were raised by some delegations but U Thant reminded the Conference that its deliberations could wait for the political climate to improve, though he agreed that the war in Vietnam limited the freedom of action of some governments.

One of the fields in which positive action was so far lacking related to food. The FAO Chief made a sincere plea to modernise agriculture in developing countries. The U.S. delegate also urged that UNCTAD should endorse a policy objective relating to food. The possibilities of regional co-operation in meeting the foodgrain needs were yet to be tackled in detail.

The next few weeks are crucial. Delicate negotiations behind the scene will enable the delegates to show how rigid or flexible would their stand be taken in public. The need of the hour is to ensure that the initial momentum is kept up and deliberations are carried on at the highest level—a task in which the President of the UNCTAD, Mr Dinesh Singh, has already worked out an understanding with the leaders of various delegations. Also, he has stressed the need to evolve a built-in mechanism to follow up the recommendations of second UNCTAD.



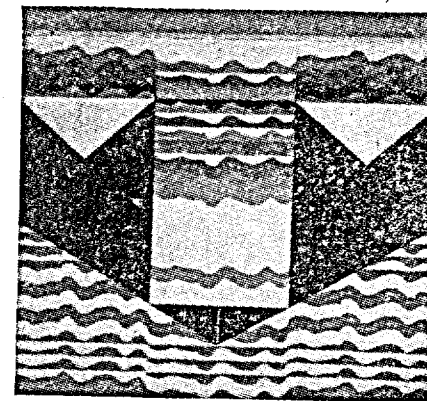
'Personnage' by MARYAN, France

ARTISTS' VISION OF OUR TIME



'Horse' by HUSAIN, India

ALL THE WORLD'S PAINT



JAYA APPASAMY

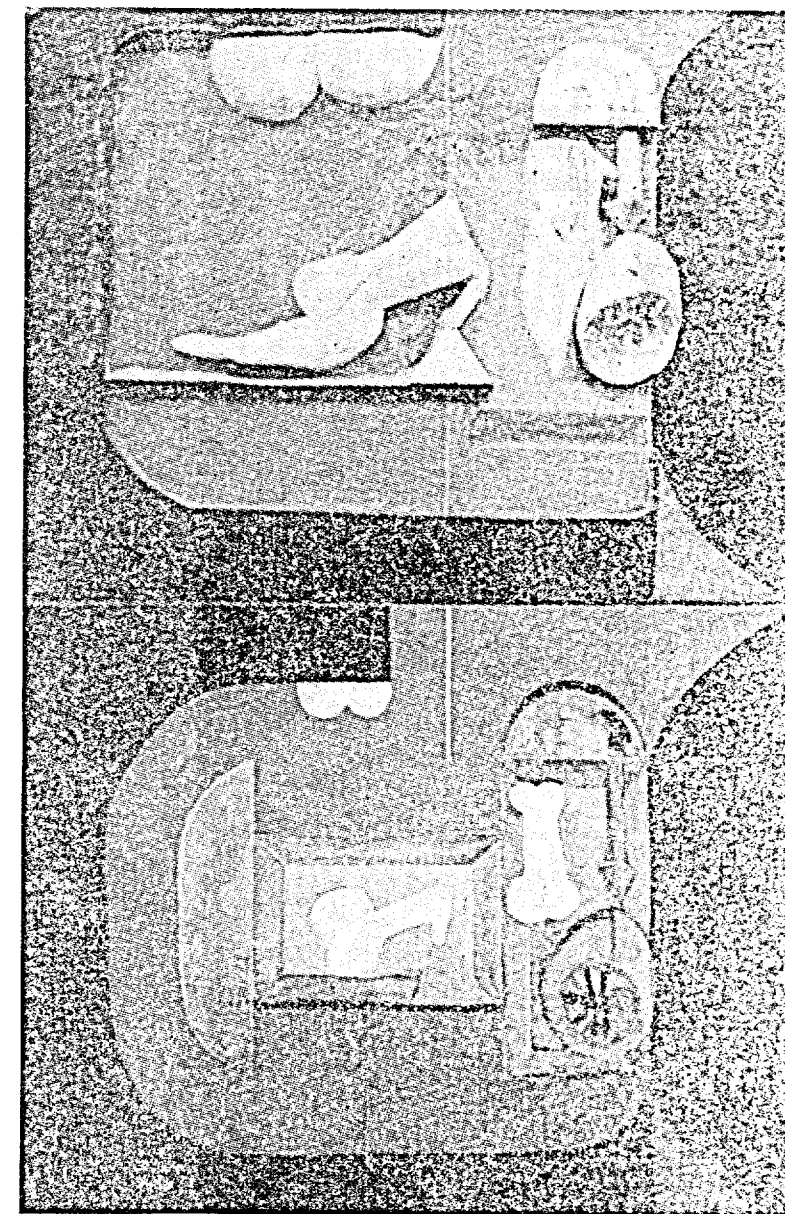
IN an ancient country like India the first Triennale of Contemporary Art is without doubt an event of great significance. It commemorates and establishes that India has been hospitable to other countries and has welcomed ideas which are dynamic and living. This great exhibition which spans many countries leads us to the creative thought and imaginative effort in the world. That the Triennale will be an introduction and inspiration is obvious. May it also prove a challenge and a catalyst, stimulating and enriching our own creative work. In a period of expansion and industrial growth, our country is keen to equip herself technically and there is a great absorption of scientific knowledge. It is only fit and right that the creative side of life, its poetry, philosophy and the arts should also find a place in the new society we are building.

The Triennale Exhibition includes the work of 32 countries. Many of these are well known for their national contributions to world art, others have but recently found a place in the sun. Today the art of the world, like science or sport, tends to transcend national boundaries and speak what may be called an international language.

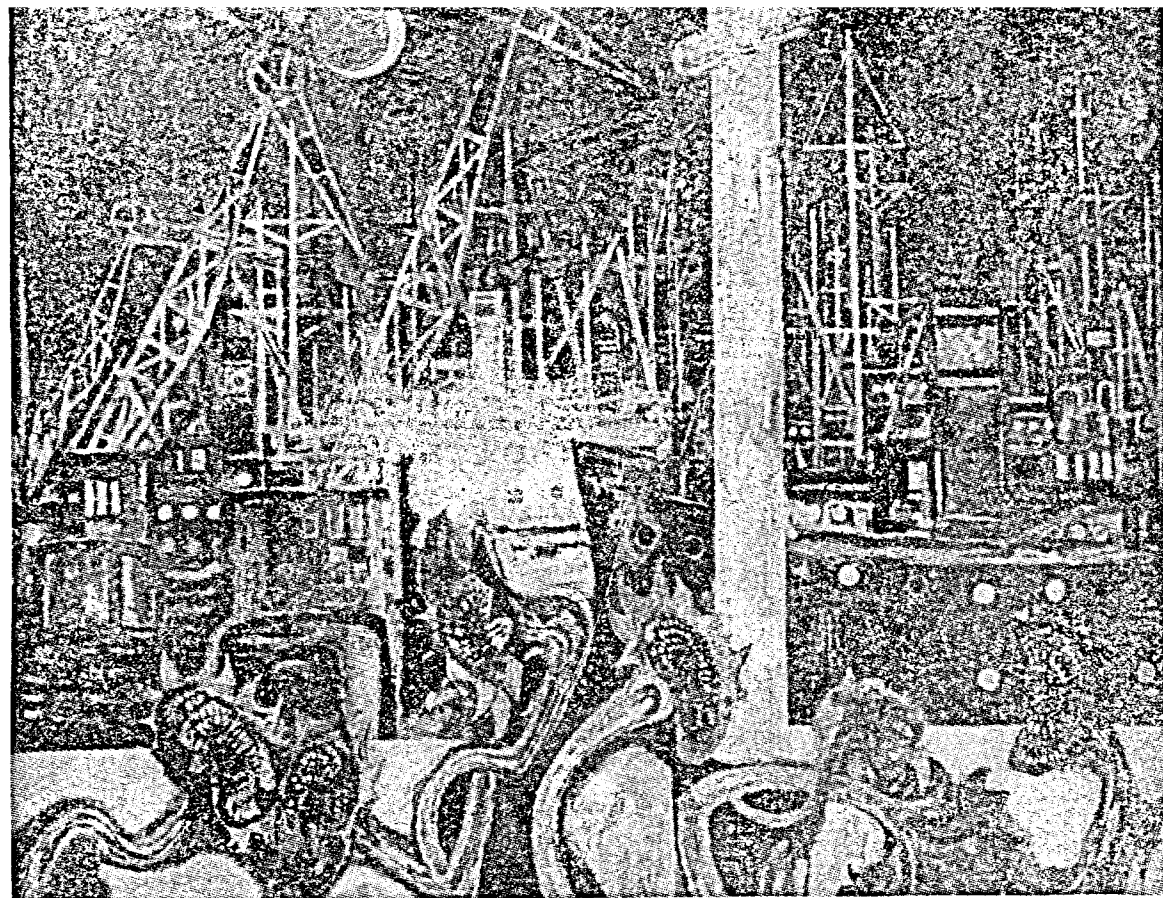
While on the one hand art is more universal, it is also at the

PHOTOGRAPHS on the cover and on these pages are by T. S. NAGARAJAN

32 Countries Are Represented
At The International Exhibition
In New Delhi



'La Respuesta Del Espejo' by MANUEL FELGEUER, Mexico
Top: 'Composition' by STELOS VOTSIS, Cyprus



'Autumn in Bargas' by CARL ERICH MULLER, German Democratic Republic

same time paradoxically more unique—for at no time in the past has so great an emphasis been placed on originality. Each artist strives to express himself through a unique personal style even though he is an inevitable part of his place and time.

Another characteristic of mid-twentieth century art is its versatility. For here we find not only art in many media, but also in combinations of media. There are, for instance, examples of painted sculpture, and also of paintings which are like bas-relief. Indeed there is no longer any clear line of demarcation, and works in burnt wood appear in the sections of both painting and sculpture. Secondly, there is a marked preference for abstraction in the most dynamic works. It is not that the artist has rejected subject matter, but that the subject matter is no longer relevant as an aim. Rather the artist wishes to express himself freely, in terms of colour and form alone, eschewing resemblances to reality. Thirdly, one also observes a real desire

EXHIBITS ON THE COVER

Top: Left to right:

'Song of the wind' by KONG HENG CHEAA, Malaysia

'Auroute At An Early Hour' by KUMI SUGAI, Japan

'The Good Earth' by SELMAN ABBAS, Iraq

Middle:

'Facets of Eve' by BAL CHABDA, India

Bottom:

'Head' by LESLIE MACWEENEY, Ireland

'Vera' by EMIL CIMIOTTI, Federal Republic of Germany

'Fairy Dance' by U BA HOE, Burma

to record only essentials and essences. Modern art is a minimal art. Many of the paintings and sculptures are reduced to sensations, or statements of extreme brevity. These perhaps reflect a scientific attitude of mind. Others again are interested in texture and colour and emotion—and represent the romantic view. Both reveal a new kind of imagination, and a type of vision that is typical of our age.

The Rabindra Bhavan Gallery has never looked so full and rich, and in Jaipur House the entire upper storey also carries part of the exhibition. This panoramic display offers the public a new opportunity to get acquainted with modern art, if we have not had adequate opportunity in the past. For this, whether we accept it or not, is the voice and vision of our times and it is incumbent on everyman to understand and cherish it. The cultural enrichment of a society depends not on its creators alone, but in the rapport and sustenance that is given them by society.

On a summer afternoon a friend and I reached a village where we were to do field work as part of our training in social work. We felt thirsty. At the village we saw a well. We asked a woman who was near the well to give us a bucket to draw water from the well. She hesitated. On repeated requests, she said, "I am a *Sansis*, an untouchable. You should not take anything from me." When I told her that I had no objection she brought a bucket and a *lota* which were shiningly clean. I drew water but my friend refused to take it.

After a few days when the same friend and I were working in a sweepers' *bustee* organising a *Kalyan Samiti* we were offered tea by a sweeper and my friend readily accepted it. I was surprised. I asked him why he had refused to take water from a Harijan's bucket the other day. He explained, "That was a village of Harijans and caste Hindus. If I had accepted water from that bucket, the caste Hindus would have come to know of it and would have taken me for a Harijan. But here there are only Harijans and if they take us for Harijans, our work will be easier."

Ranchi

D. P. Sethi

For days together a bright girl student of our college remained absent from her class. A friend of hers told us that she was leaving the college because she could not pay her fees. She belonged to a big joint family whose annual income was about Rs 3,000. She was not eligible for the freeship for the economically backward classes.

A few students gathered together and decided to help the girl. They immediately collected the amount from their group and paid to the college. Later they contacted a few staff members and the amount was reimbursed to the students.

The girl resumed her studies. The name of the donors have not been published.

Morvi (Gujarat) Shrikant M. Mehta

One day last September there was an Assam-Bandh to protest against price rise. An old Nepali woman who supplies us milk daily did not bring it on that day.

Next month while paying for the monthly bill for milk, I deducted the price of a litre of milk which was not supplied on the bandh day. The old woman haggled and said that it was not due to her fault that she could not bring milk, that she was turned back by bandh leaders. Even then I refused to pay. The old woman suddenly flared up and asked: "Did your husband attend his office on the bandh-day?"

I told her that volunteers did not allow him to enter. She then asked: "Did the Government deduct his salary for that day?"

THIS INDIA

YOJANA invites contributions to this feature from its readers all over the country. Each anecdote must be true to life, of less than two hundred words, capturing something significant of India's rich and varied life. Each published anecdote will be paid for.

I replied in the negative. "Then why do you deduct my small amount?" she added with a smile in her face.

Jorhat

Shantiprava Saikia

As an Extension Officer (Industries) I had to recommend the application of industrialists for loans from the Government.

I went to an applicant in Nawabganj block who had asked for a loan of Rs. 10,000 for starting Kattha Udyog. When I enquired about his scheme he said, "Sir, I shall not tell you a lie. I want to invest this loan in a flour mill. The money will be returned to the Government when I recover it from the mill. You will get your remuneration for your kindness."

Nawabganj

Ram Gopal Pandey

After getting down from the bus near the cinema theatre I found that I had lost my purse containing Rs 40 and four cinema tickets. I took my wife and two kids to the theatre manager and complained in writing about the loss of the tickets—I remembered their numbers. He admitted us to the theatre.

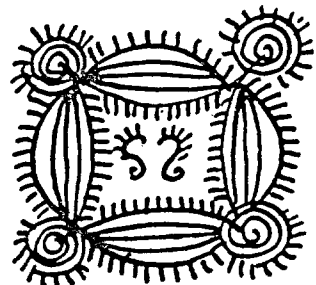
In the next 15 minutes, four persons came to the cinema with my tickets. Of the four, two had bought the tickets from a boy while the other two got them from a bearded man—all in the black market.

The manager's decision was that since I had made my complaint in advance of the show and since the four persons got their tickets from unauthorised persons, I was entitled to see the show. Hearing this, I offered to give the seats to them. But all of them said that since my loss was more than theirs, I should enjoy the show. Not only that, they contributed one rupee each for my return journey.

New Delhi

G. K. Menon

SOCIAL AUDIT FOR SOCIAL WORK



T. P. SINGH

The rules and regulations applicable to Government assistance to voluntary organisations for social welfare activities are often resented. But no rules can deter those who really want to work.

Rules help to keep out abuses. And they can be changed if they come in the way of efficient work.

A system of social audit, as is followed in the western countries, should be adopted in India for keeping accounts of social welfare activities. Because, after all, it is the benefit derived that counts rather than the money spent on it.



Voluntary Organisations Must Keep Clean Accounts

THE task of social welfare in India is so vast that Government alone cannot cope with it. Besides, as the services cover human beings and their relationship and growth, voluntary organisations are more suited for social welfare work.

It is because of this realisation that a two-fold approach has been adopted in developing social welfare services. All statutory services are placed, by their very nature, under the responsibility of the Governmental organisations and all non-statutory services are being developed with the help of voluntary organisations through the programme of grants-in-aid. The statutory services relate to the enforcement of the laws such as the Children's Act, Beggars Act, and the Prevention of Immoral Traffic in Women and Children Act, and the provision of correctional services. The non-statutory services cover programmes for the welfare of children, women, and the handicapped. Promotion of educational and economic interests of the Backward Classes and the tribal people has also been the responsibility of the Government.

For the welfare of the Backward Classes, the funds are provided through the State Governments who operate the programme.

Financial assistance consists both of grants as well as loans. So far as the grants are concerned, they are mainly for welfare schemes. Quite often these grants are subject to a matching contribution by the State Governments and local communities. The loan schemes are mainly for economic program-

mes and are given through the State Governments.

The programmes under the social welfare services may be divided into two parts: one, those undertaken by the Social Development Departments in the States and the other, those undertaken by the Central Social Welfare Board.

For the Central sector programmes, the Central Social Welfare Board takes the help of Working Groups consisting of representatives of the Ministries concerned, the Planning Commission, the participating voluntary organisations and schools of social work. A number of Study Groups are set up under the main Working Groups to examine the programmes in detail.

These bodies recommend the programmes to be taken up in the Plan and the allocations required for the same. The criteria they generally adopt are : (a) giving priority to the continuation and consolidation of existing schemes, (b) substitution of organised services for *ad hoc* measures, (c) emphasis on preventive services and on rehabilitation rather than relief, (d) statutory requirements, (e) major responsibility on voluntary organisations though individual effort may be promoted and assisted, (f) past performance, and (g) availability of resources.

For the main programmes, the physical and financial achievements are assessed and the magnitude of the efforts necessary to solve the problems against the background of anticipated resources are broadly

indicated. A broad figure is then arrived at. This figure is then considered against the background of the total resources as assessed by the Planning Commission and the competing claims of other sectors. After adjustments a final figure is arrived at.

However the funds alone are not adequate. They have to be supplemented by public contributions raised by voluntary organisations. Voluntary effort for raising funds is encouraged in keeping with the democratic structure of our society. Besides, organisations have a tendency to lose initiative if they depend wholly on Government aid. Government's assistance has, therefore, to be on a tapering basis and it has to be so related to specified items of expenditure that in course of time the recipient organisation is enabled to stand on its own legs.

As for the accountability of funds, there have been quite a few instances of defalcation. Such malpractices shake the confidence of the people in voluntary organisations on the one hand and dampen the enthusiasm of sincere workers on the other. A voluntary organisation should, therefore, keep a complete and satisfactory account of every paisa it gets.

RULES FOR GRANTS

Rules for the accountability of funds received as grant-in-aid from Government have been laid down in the General Financial Rules. Under Rule 149 (1) (b), a grant is made available as far as possible on the basis of specific schemes drawn up in sufficient details and duly approved by Government. Before sanctioning grants to private institutions, it is scrutinised whether the institutions have the experience and managerial ability to carry out the purposes assigned to them. A machinery has been devised to keep an effective and constant check to see that the money is utilised fruitfully and applied to the purposes intended. There is also a provision that only as much grant will be paid as is likely to be expended during the year.

Rule 149(3) lays down that "before a grant is paid to any public body or institution, the sanctioning authority shall as far as

possible insist on obtaining an audited statement of the accounts of the body or institution concerned in order to see that the grant-in-aid is justified by the financial position of the grantee and to ensure that any previous grant was spent for the purpose for which it was intended." In the case of small institutions which cannot afford to pay the charges for audit, the sanctioning authority may exercise its discretion of exempting any such institution from the submission of accounts audited in this fashion. The accounts may be certified by a Chartered Accountant or any other recognised body of auditors.

Grants in excess of Rs. 1 lakh per annum recurring, or Rs. 5 lakh per annum non-recurring, are sanctioned on the specific condition that the accounts of the institution would be open for test check by the Comptroller and Auditor General.

Further, a condition is laid down that assets acquired wholly or substantially out of the grants would not be disposed of, encumbered or utilised for purposes other than those for which the grants were sanctioned, without prior permission of the Government. The following procedures are generally observed in regard to such assets: (1) An undertaking is obtained from the grantee institutions that they agree to be governed by the conditions of the grants. (2) The grantee institution has to maintain a register of permanent and semi-permanent assets acquired out of the grant. (3) The sanctioning authorities maintain block accounts of such assets. (4) The register of assets and the block accounts maintained by the grantee institutions and the sanctioning authorities respectively are open to scrutiny by audit.

Rule 151 lays down that grant which is led by a specific objective is subject to two conditions : (i) that the grant has been spent for the objective within a reasonable time, if no time limit has been fixed by the sanctioning authority, and (ii) that any portion of the amount which is not ultimately required for expenditure on that objective is duly surrendered to the Government. Even in respect of unconditional grants, the Government

reserves the right to have the accounts of the recipient body audited by the Comptroller and Auditor General to see whether the affairs of the recipient body are managed satisfactorily.

LOANS

Rules for the grant of loans are laid down in Chapter 11 of the General Financial Rules. Before considering a loan application from a voluntary organisation, the Government has to see whether there is adequate provision, and whether the loan would be in accordance with approved Government policy and accepted patterns of assistance. The applicant has to furnish the following information : (1) profit and loss accounts and balance sheets for the last three years; (ii) the main sources of income and how the loan is proposed to be repaid within the stipulated period; (iii) the security proposed to be offered; (iv) details of loans taken from the Central or State Government in the past; (v) a complete list of all other loans outstanding on the date of application and the assets given as security against them; and (vi) the purpose for which the loan is proposed to be utilised and the economics of the scheme.

On receipt of this information, confidential enquiries are made from the other Departments of the Central Government/State Government from which the party has taken loans to judge the performance in regard to the previous loans. It has to be ensured that the security offered is adequate and its value is at least a third more than the amount of loan and also that the financial position of the party is sound.

In the case of institutions which receive grants to meet aid part of the deficit and the balance is met by the State Government or the Management, it has to be ensured (1) that in computing the deficit for purposes of the grant the income from the scheme, if any, earmarked for servicing the loan or the instalment of repayment of the loan and interest is not included; (2) that, as far as possible, the scheme for which the loan is given is self-financing and does not throw an additional burden on the general

income of the institution; (3) that the institution produces an undertaking from the State Government or the management that any shortfall towards repayment of the loan and interest will be made good by them.

It has been noticed that, after a loan is sanctioned, the sanctioning authorities do not often keep themselves informed of whether the borrower repays the instalments promptly. It is therefore necessary to make a periodical review of the loans given.

The Public Accounts Committee has, in its various recommendations, stressed upon the accountability of grantee institutions. It has pointed out the need for obtaining consolidated accounts of the grantee organisations before deciding whether they are worthy of the trust that payment of grant to them implies. Voluntary organisations are of an amorphous nature. The standard of discipline among their workers is not always uniform. The production of consolidated accounts involves a lot of inconvenience for them. This results in the stoppage of grants and consequential embarrassment and inconvenience to the beneficiaries as well as to the Government.

Accountability of funds is basic to public welfare. The question that needs to be considered is how to ensure accountability of the amount used for social welfare specially by non-official organisations. It is essential that some simple system of account keeping is prescribed for such organisations.

Activities of voluntary organisations can be divided into two groups: (a) Welfare for which grants are received from the Government; and (b) Commercial and semi-commercial activities with some social objective such as running a consumer cooperative, or a working girls' hostel.

In the case of the former, the organisations receiving such assistance are usually registered under the Societies Registration Act. The Act does not impose any strict financial control on the organisations, such as submitting every year to the Registrar the annual audited statement of account, list of members of the Governing Body, etc. However, the organisations receiving grants are required to submit

an audited statement of account. By and large, the organisations comply with this condition, but it will be useful if the organisations are given some small assistance, such as reimbursement of the expenditure incurred by them on account of payment to the auditor, or managerial subsidy, as in the case of cooperatives, for meeting part of the expenditure for maintaining an accountant. In the case of all-India organisations with a network of branches, it will be worthwhile for the Government to reimburse the entire cost of maintaining an accountant.

Studies undertaken by the Planning Commission indicate that the performance of voluntary organisations is comparatively much better in certain States like Maharashtra and Gujarat. One reason for this is the fact that the Bombay Public Charities Act provides for proper control and regulation over the activities of voluntary organisations.

The assistance for commercial and semi-commercial activities is usually given in the form of loans. Organisations doing such activities have often run into difficulties. It is desirable that such organisations are registered under Section 25 of the Indian Companies Act.

SOCIAL AUDIT

Under the impact of the various Plan programmes, as many as 83 voluntary organisations have come into existence at all-India level. Each of them has drawn up its own *ad hoc* constitution. However for purpose of proper financial control and regulation of their activities, it is necessary that they have some uniformity in matters like submission of annual audited statement of accounts, annual meeting of the General Council, election of members of the Governing Body, etc.

According to the studies conducted by the Planning Commission, a federal constitution is ideally suitable for an all-India organisation under which every State unit will be registered separately yet will be affiliated to the central unit. A State unit will function with a large degree of autonomy and the Central unit will not be burdened with the administrative responsibility for the preparation of consoli-

dated statement of account for the State units too.

In western countries a practice of maintaining a system of social audit is emerging in the field of social welfare. Under the system, the sums spent are audited in relation to the number of beneficiaries, the benefits that they receive, the approach adopted and the organisations provided. Audit of funds for social welfare has to be related to the fulfilment of the ultimate objective of rehabilitation of the individuals and the groups in the society. If this approach is introduced in the system of audit, the human element of work could also be taken into account while ensuring effective utilisation of the funds provided. Social audit would, however, involve a marriage between the two disciplines of social work and accountability.

I would lay stress on social audit because, apart from figures, what matters in the ultimate analysis is the net gain to the community. Therefore, there is need for a constant vigil on the evaluation of the results achieved *vis-a-vis* the cost incurred. Allocation of further funds and accountability of the funds already invested has, therefore, to be considered in the context of the net gain in the amelioration of the needy and in the social and economic uplift of the handicapped and the backward.

The financial rules and regulations, as they exist, appear as handicaps to work. But, essentially, they are useful and help to keep out abuses, arbitrariness and pressure pools. Operatively too they are not as inconvenient or forbidding as they sound. All the same, whatever the risk involved, the work has to be done if the cause is compelling.

Lastly, I feel that nothing is sacrosanct. The rules and regulations are subject to change and must be changed if they stand in the way of fulfilment of the objective. But it is necessary that the suggestions should emerge from the practical experience of dedicated workers and administrators, and not from people who would put up excuses and see ghosts where they do not exist.

—This article is based on a talk delivered at the Indian Institute of Public Administration, New Delhi.

CITY WITHOUT CIVIC BODY

A Municipality consisting of elected representatives of the people is generally considered essential for the development of a city and for managing civic affairs. This is the normal pattern in India. The only exception so far has been the steel city of Jamshedpur, which has been administered, since its inception, by a "Notified Area Committee". Last October, however, the pattern was sought to be changed, when the Bihar Government declared its intention to convert the N.A.C. into a Municipality. Apart from the legal implications of the decision, the question is whether the contemplated change will improve the city or make life more comfortable for the citizens. Also, whether a Municipality is at all necessary? The answer is provided by Jamshedpur itself.

As a city, Jamshedpur is comparatively young. It has blossomed out of the wilderness in the last 60 years into one of the finest cities in the country. Unlike other industrial cities of comparable size, it is not only clean, but provides the maximum amenities to its population of three and a half lakhs. The city has 260 miles of roads, 238 miles of water mains supply, 20 million gallons of filtered water a day, at the rate of 60 gallons per head, to thousands of homes. A network of 198 miles of sewers, connected to a modern sewage disposal plant, keeps the city free from health hazards. Besides, the city can boast of well-equipped hospitals, maternity and child welfare clinics, family planning centres, schools, beautiful parks and gardens and spacious stadia and playgrounds.

The special thing about Jamshedpur, however, is that, for all this and more, the citizens either pay nothing or just nominal. The employees of the Tata Iron and Steel Company pay nothing for municipal services, while others are required to make a small contri-

bution, subject to a maximum of 12½ per cent of annual rental value of the premises occupied by them. This is possible because the Company spends more—one crore sixty lakh rupees every year—as against seven lakhs that it receives by way of contributions from non-employees living in Jamshedpur.

FOOD OR THE MOON

A leading American scientist, Dr Robert White-Stevens, has suggested that food, not the race to the moon, is the most crucial problem facing the United States. Not food for Americans, but food for the underdeveloped nations around the world. Speaking at Florida University, Dr White-Stevens called for a slowdown of U.S. space activities and a speed-up in American grain production efforts.

Dr White-Stevens said that food is indeed the most powerful international weapon. There is little to be gained, he added, by trying to talk democracy or human dignity or boot-strap technology to a man who is only worrying about the problem of filling up his stomach and warding off starvation for his wife and children. He does not agree with those prophets of doom who see massive world starvation as an inevitable event in the next 30 years or so.

A distinguished agricultural chemist and a specialist in pesticides, Dr White-Stevens believes it possible to almost double world food production by simply using pesticides to preserve harvested grain which is now being destroyed by rodents and pests. According to him, similar gains could be recorded by the application of new techniques of farming in Asia, Africa and South America.

Dr White-Stevens warned that food will become a problem not before long for America also. He pointed out that, in the United States, the highway systems alone were using up land at the rate of 2,000 acres a day, thus reducing the available land to increase food production.



IGNORAMAN

Wants to Know

whose

PAL will

LOKPAL be

HEART POWER

HEART disease, once a fashionable luxury for the affluent, is today one of the biggest "killers" in the world. In quest of an answer to the dreaded malady which strikes down its victim when he least expects it, doctors suggest many remedies, including a "change of heart". But on one point there is agreement: the need for complete rest immediately following the attack and taking things easy, if the patient survives.

Now comes an entirely different recipe. According to the Associate Professor at the Central Gymnastics Institute in Stockholm, ninety minutes of intensive physical training a week for a two-month period will increase physical fitness and heart capacity of middle-aged men by an estimated 20 per cent. Results of tests carried out at the Institute show that physical training gives the heart "reserve power". Among those subjected to test were a number of men suffering from heart irregularities, many of whom showed considerable improvement after the tests. Apart from showing distinct improvement in oxygen absorption, the heart's pumping capacity increased by 21 per cent.

REPORT

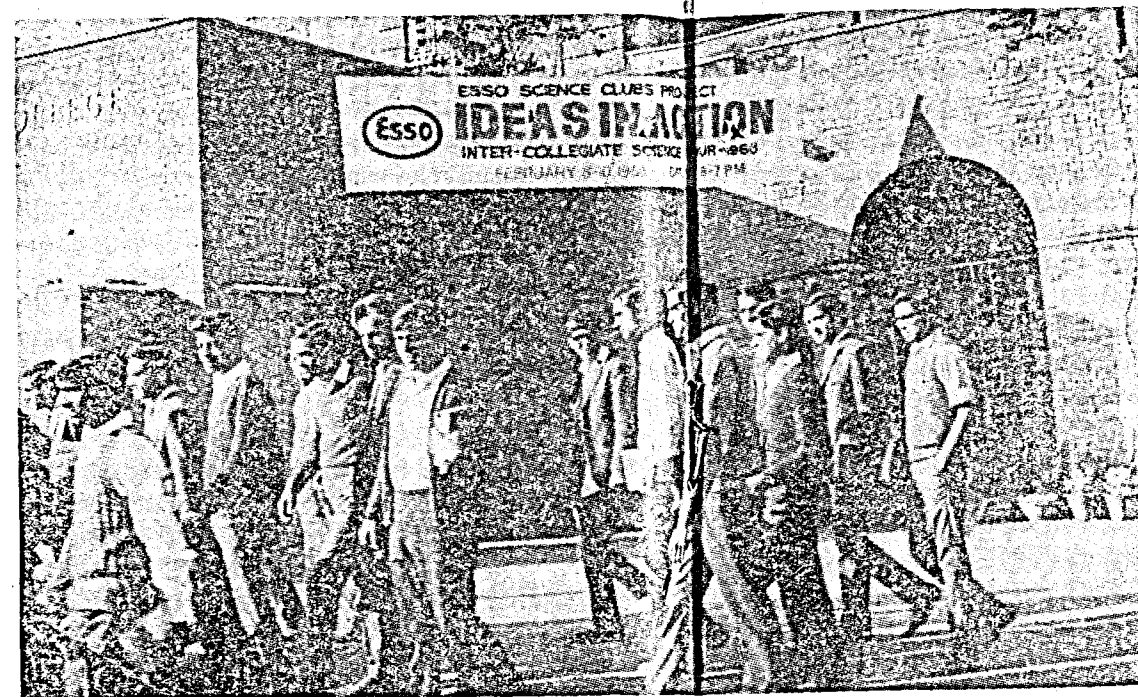
ROSSCOTE KRISHNA PILLAI

BUDDING SCIENTISTS AMONG STUDENTS

It's not all that gloomy on the students' front. Of late, people who ought to know have been crying hoarse about the aimless rumbustiousness of college and school students in India. But those who are patient and discerning enough can look for and see that the dark clouds on the students' horizon are not all that dark. There is also a silver lining. Those who were privileged to visit the three-day Inter-Collegiate Science Fair organised by ESSO in New Delhi this month certainly have no cause for pessimism about the future of Indian students.

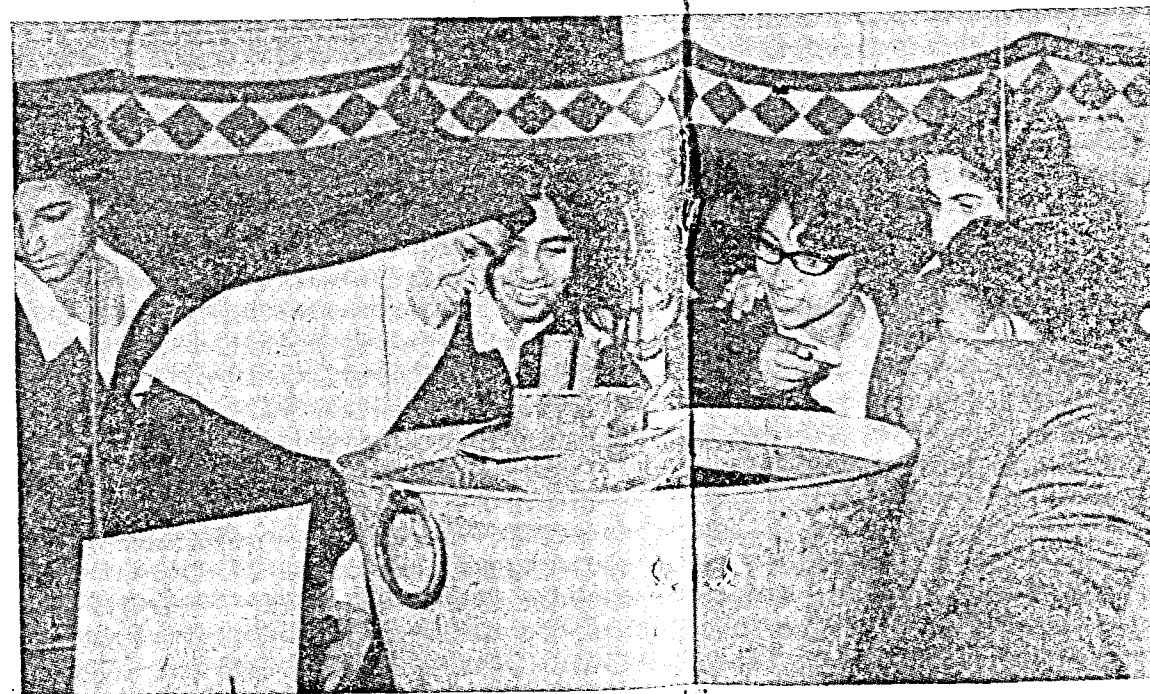
The 65 exhibits displayed by 55 students from 11 colleges are, of course, not too many. But they were certainly not all that the college students of Delhi could manifest by way of their scientific talents. They only helped to show in bold relief the fact that the entire Indian student community is not a host of tar-happy hooligans, pop-music addicts or beetle-maniacs and, if tapped well and correctly, their hidden talents could well-up and bubble out into the right channels.

'The Ideas in Action' theme of the Fair has drawn out the student with an inventive bent of mind to design and fabricate. One wouldn't easily believe that a fourteen-year-old boy studying in the eighth class could design and assemble a sophisticated transistorised transceiver until one experienced for oneself the felicity with which the boy explained the equipment's working. Ashok Kumar Kaushik, a smiling bright-eyed student of the K.R. Inter college, Mathura, discussed in simple Hindi, with technical words thrown in English, all the intricacies of his instrument which was capable of wireless communi-



In the Inter-Collegiate Science Fair at the Lady Irwin College, New Delhi, eleven Colleges participated. Below: K. Rajagopalan of S.D. College demonstrates his electronic device to control the movement of a ship, which won him the third prize. Right: Ashok Kumar Kaushik (14), an 8th class student of K.R. Intermediate College, Mathura, who won the first prize, is seen operating his transistorised Transceiver, which enables wireless communication over a distance of 100 metres.

Pictures: Courtesy—Esso



TALENTS BLOSSOM WHEN TAPPED WELL

INTER-COLLEGIATE SCIENCE FAIR

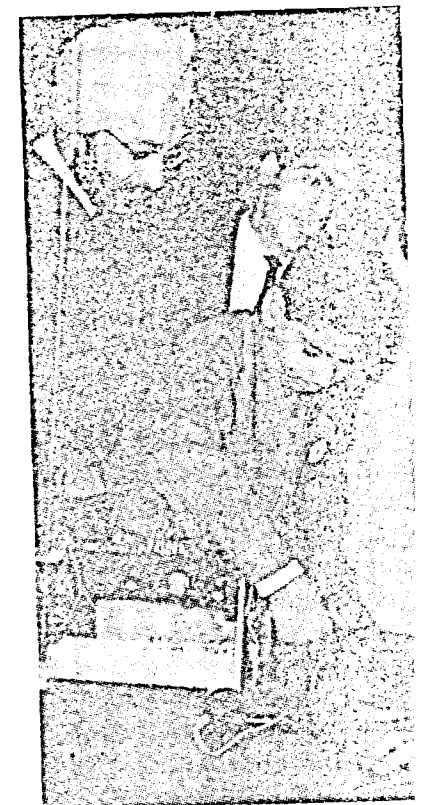
cation over 100 meters. The quiet confidence with which he bandied about technical terms in electronics was indeed surprising. Indeed he well-deserved the first prize he won at the Fair.

The wide range of exhibits was proof of the fact that higher technology and science was gradually permeating the educational structure in India. A lay educated Indian in his forties would be scared by the technical and scientific jargon and expressions that the average Indian student of today uses in his talk and the dexterity with which he handles complicated technical equipment.

Seeing the exhibits at the Fair, one could have a glimpse of the enormous inroads that science has made on man's everyday life. Most of the exhibits demonstrated the application of some of the basic principles of science and they left an impression that "we live in a world which is penetrated through and through by science." From the simple exposition of steam pressure driving an engine to the burglar alarm installed in buildings using electronic devices, a number of ingenious devices tellingly illustrated the utilitarian aspect of science.

Personal exploration gives a sense of delight to the student of science. Some of the scientific theories kindle the young student's imagination and develop his reasoning.

There were many exhibits which displayed the students' ingenuity. There was the electronic representation of the reflex action by demonstrating the action in a headless body of a frog when an electric current is passed through it, the electronic distant control of a ship and the binary mathematical principle used in computers. The several gadgets in electronics exemplified



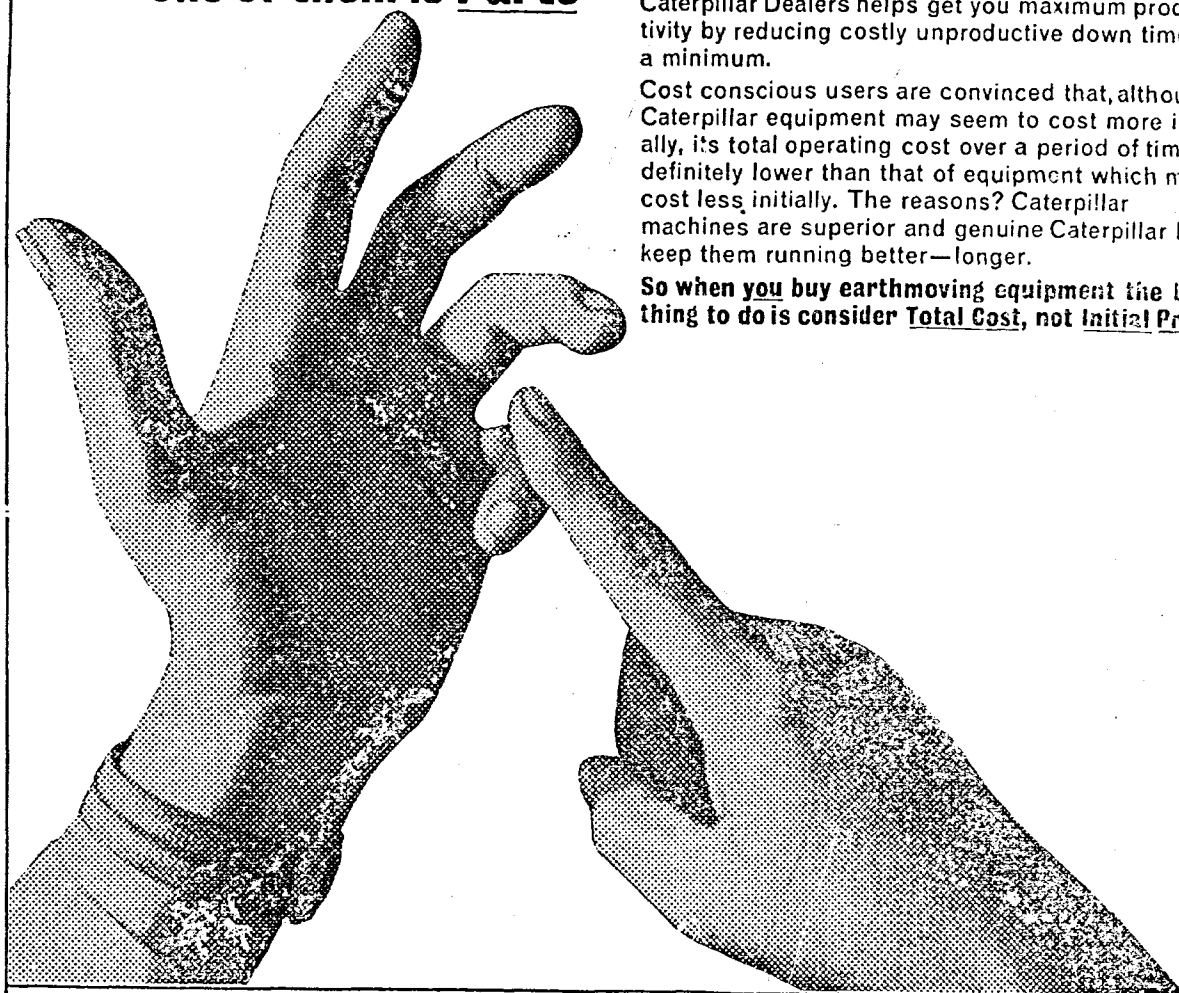
the growth of the young sophisticated science. The prize exhibit from last year's Bombay Fair showing iron manufacture was illustrative of the science student's growing interest in industry.

A Science Fair organised on these lines in every important town is undoubtedly an effective method to nurture and develop the aptitude in students "to invent, explore and discover". A amount of moralising and pulp peroration would goad youngsters to constructive endeavour as the invitation to him to a challenging and exciting thing and providing him with opportunities and incentives to do the well.



FREEDOM
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EXPLORE,
DISCOVER

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Books

THE CASE FOR CO-OPERATION

Sahakari Samaj—The Co-operative Commonwealth by S. K. Dey. Published by Asia Publishing House. 137 pages. Rs. 15.

R. CONSTANTINE

CO-OPERATION has always been thought of as a superstructure of economy irrespective of the economy's character. Both the capitalist and the socialist economies have room for co-operation. But an economic system with co-operation as its foundation is not yet there. Nor will it ever be. But Dey does not share this view. He is an idealist.

Sahakari Samaj is not merely a plea for the development of co-operation; it is an assertion of its potentialities as a firm economic basis for society between totalitarian socialism, state capitalism as represented (in this case) by the public sector and the *laissez faire* capitalism.

"If one of the extreme schools is to be typified by private monopoly capital and the other extreme by the growing monolith in public sector, the middle sector can well be represented by the sector of Co-operation—*Sahakari Samaj—Co-operative Commonwealth* as we call it in India," says Dey. Thus, he seeks to establish the case for co-operation as a basis to found a third school of socio-economics. Even according to Marxian socialism which believes that the forces controlling the means of production and distribution run the society, one cannot cavil with Dey—that is, in theory. If men co-operate with each other, they certainly can control the means of production and distribution and thus achieve the Co-operative Commonwealth the author has in view. But then one must reckon with the ideal man and not the real creature, selfish, rapacious, murderous, who is to be compelled into discipline. Here politics

impinges on economics with ideas of government enjoying the sanction of force. And with the application of force, co-operation ceases to be the dream Dey dreams.

But, if one looks at co-operation as a superstructure operating within well-defined limits, *Sahakari Samaj* provides some enlightenment. Having been intimately connected with Community Development and Co-operation, Dey has a wealth of experience to share with his reader. For those actually engaged in the field of co-operation, this experience may be a familiar phenomenon. But for social workers newly venturing into such activities and the merely inquisitive laymen,

the chapter on pitfalls will no doubt provide useful reading. We also get a brief history of the co-operative movement and with the statements and charts in the Appendix, *Sahakari Samaj* qualifies as a worthwhile reference book.

For all its small measure of 137 pages, the book is not without obesity. With economy, the first three chapters could have been sheared without damage to the thesis. The epilogue seems otiose. But what is perhaps more thankless are the *obiter dicta* which divert the attention of the reader from the noble passions of the author. Samples:—

"A sapling in nature does not yield its fruit till it has grown into an adult".

"Colonial rule is the antithesis of democracy."

"A State cannot remain indifferent to the economic growth of the community it administers."

The list is not exhaustive. Such naivettes are not likely to be treasured as epigrams.

A Study of Co-operative Farms

Glimpses of Co-operative Farming in India by H. Laxminarayan and Kissen Kanungo. Published by Asia Publishing House. Pages 144. Rs. 15.

M. C. JAIN

THIS book is the report on field investigations conducted by the Agricultural Research Centre of the Delhi University into the working of a few selected co-operative farms in Punjab and western Uttar Pradesh. The study was conducted in three stages. In the initial stage 140 farms were selected, out of which 22 were taken up to the intermediate stage, and finally 6 co-operative farms were studied intensively in respect of their structure and working with a view to assessing the economic aspects of co-operative farming.

One would believe that co-operative farming lies in making available economics of scale to small farmers, reducing inequalities of income and increasing employment opportunities in agriculture, but the authors

are disappointed to find that most co-operative societies are not genuine. The majority of members had no real interest in cultivation. In certain cases the motivation was either the evasion of tenancy laws or to take advantage of financial and other assistance from the Government.

In the case of societies started by cultivators with enthusiasm, some of them have failed due to either want of financial resources or lack of co-operative spirit. A few societies formed on the basis of families or caste have, however, survived. This indicates that the family or caste is still a strong binding force in the rural economy. But this does not add strength to the co-operative movement. The scope for such societies seems to be limited in a progressive modern country on the threshold of agrarian and industrial revolution.

As the success of the movement would depend upon genuineness of the societies, the authors suggest that the financial assistance should

be so regulated as to assist the genuine societies only, and that the growth of pseudo societies should be curbed. The authors emphasise that if the cooperative movement is to be a success, it must aim at bringing together small cultivators who have meagre resources. It would help them in achieving economies of scale. Another suggestion made by the authors is that the membership should be open only to actual cultivators, whether they own land or not. No member should be able to exercise undue influence merely because he has contributed a larger area to the society. The business of cooperatives should be conducted in a democratic way.

The wealth of data which the investigation has yielded is valuable, though it relates to a limited period 1952-57. In spite of the shortcomings of the movement, some societies have shown good results. For example, the Semri cooperative society increased its total output remarkably by 72 per cent in 1956-57 over 1952-53. Some of the societies have been working on democratic lines, paving the way for good organisational and institutional set-up. All these suggest that there is life in the cooperative movement and, if appropriate measures are taken, much headway in this field is possible.

Teacher-Student Relationship

Human Relationship in Teaching
by Narayan Bose. Published by
Bharatiya Vidya Prakashan, Varanasi. 55 Pages. Rs. 4.

PAWAN CHAUDHARY

IN the recent past the climate in the University campus has been spoiled by various factors, and this issue is engaging the attention of academicians and all others concerned with the students' welfare which ultimately will lead to the nation's welfare. In this connection, the two aspects of the problem that need to be considered seriously are: (i) teacher-taught relationship and (ii) aims of education.

This volume primarily is an answer to the first proposition. The author, himself a teacher, points out that teachers should work with the students in the co-operative effort of teaching as well as learning. According to him, the teacher is not merely a teacher in a class room, nor a teacher of subjects; he is also a counsellor trying to help students to develop their personality. For this purpose, he should keep himself informed about each individual student, his problems regarding study, and should help him develop initiative.

In order to achieve the above end, the author suggests the teacher to adopt the philosophy of what is styled as "Be and make". Swami Vivekananda has described this philosophy in these words: "The true teacher is he who can immediately come down to the level of the student, and transfer his soul to the student's soul and see through and understand through his mind." For this, the author advises teachers to adopt self-discipline, self-education and self-evaluation.

The author seems to understand

the cause of the student problem and has the right kind of cure for many ills when he suggests that the teacher should meet the students, visit their houses and bring them under such an organisation where both the teacher and the parent may mutually develop a sense of common pursuit for the betterment of the family and the promotion of the students' education. Nevertheless, precautionary steps need to be taken to prohibit the politicians from spreading the plague of politics in the clean atmosphere of the campus.

Education in this country lacks direction. The author believes that in order to set things right the education should be "person-centred rather than subject-centred". This view is a reflection of what Mahatma Gandhi had once remarked about the aim of real education: "Education is of value which draws out the faculties of a student so as to enable him or her to solve correctly the problems of life in every department."

The book is a good guide to new entrants in the teaching profession.

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TAX ON FARMS

HOW TO MAKE IT MORE PRODUCTIVE

The Agricultural Income Tax has failed to mop up the surplus agricultural income in most of the 13 States where it is in force.

This article discusses the reasons why the tax has been ineffective and offers suggestions as to how the tax should be levied.

D. N. DWIVEDI

AT present the agricultural income tax has been levied in 13 States, namely Andhra Pradesh, Assam, Bihar, Kerala, Madhya Pradesh, Madras, Mysore, Maharashtra, Orissa, Rajasthan, Uttar Pradesh, West Bengal and Jammu and Kashmir. Of them, Rajasthan has levied it in the form of a 'cess on land revenue', and Uttar Pradesh collects it in the form of 'large-holding tax'.

The tax has ceased to be a growing source of revenue in most of these States. In four States, namely Andhra Pradesh, Jammu and Kashmir, Madhya Pradesh, and Rajasthan, the tax has become virtually insignificant from the revenue viewpoint. The total receipts from the tax in these States amounted to about Rs. 1 lakh in 1967-68 budget, which accounted for less than 0.1 per cent of their total tax revenue. In Bihar, Maharashtra, Orissa, Uttar Pradesh, and West Bengal, the yields from the tax have registered a steep fall since 1960-61 and accounted for hardly 0.3 per cent in their respective budgets for 1967-68. It is only in Assam, Kerala, Madras, and Mysore that the tax yields a considerable amount of revenue, consistently rising every year. (See Table)

The collection of this tax in these four States account for more than 80 per cent of the total revenue from agricultural income tax for the whole country. The main reasons for comparatively higher collections in these States are: (1)

large-scale plantation farming, and (2) the taxation on the income from these plantations as in the case of company income. In other States, such a tax base is not available on account of their geographical conditions.

Causes of Decline

The causes of decline in the yields from the agricultural income tax in most of the States are many. First, with the abolition of Zamin-dari system, the land, which is the main source of agricultural income, was redistributed, and, as a result, the agricultural income got distributed in favour of low income groups whose incomes remained much below the tax exemption limit. Secondly, in most of the cases, exemption limits are very high; generally, between Rs. 4,500 and Rs. 8,000 (including tax-free slabs) whereas in Maharashtra it is as high as Rs. 36,000. The exemption limits being so high, the incomes of majority of

farmers are below the taxable limits. Thirdly, the laws governing land management are such that big land-holders can easily evade the tax by distributing their holdings among their sons and relations. In Uttar Pradesh, this practice has led to the decline in the number of assesseees from 11,226 in 1950 to 8899 in 1965, and so has declined the total area assessed for the tax. Fourthly, the method of evaluating farm incomes has not been distinctly defined and is based occasionally on unwarranted assumptions and arbitrary estimates. Lastly, weather uncertainties, which affect agricultural production, the prevailing mal-practices in the supply of canal and tube-well water, fertilisers, financial assistance and other facilities, have all played a considerable role in reducing the collection of the tax.

Reformation Needed

If additional resources have to be raised from the agricultural

Yields from Agricultural Income-Tax

	1960-61	1962-63	1964-65	1966-67 (R.E.)	1967-68 (B.E.)
Andhra Pradesh	3	1	—	—	—
Assam	275	349	389	484	399
Bihar	51	46	22	30	28
Jammu & Kashmir	—	—	—	2	1
Kerala	235	242	205	240	260
Madhya Pradesh	1	—	—	—	—
Madras	135	116	143	126	136
Maharashtra	—	—	107	40	26
Mysore	74	76	101	133	132
Orissa	4	11	7	5	5
Rajasthan	3	6	4	1	1
Uttar Pradesh	83	28	18	22	37
West Bengal	85	84	77	77	72

Source : Reserve Bank of India Bulletins

sector, the anomalies and shortcomings of agricultural income taxation have to be removed. The Taxation Enquiry Commission had suggested that agricultural income tax should be gradually merged with general income tax, and this suggestion has gained support from various quarters. But such a merger will lead to frequent evasion of the tax instead of increasing revenue if the loopholes are not plugged. Ways and means have, therefore, to be found to reform the agricultural income tax so as to make it (i) most productive from revenue point of view, (ii) least discouraging from the production point of view, (iii) flexible under the changing circumstances of the agricultural sector, and (iv) uniform all over the country.

Other factors to be taken into account for reforming the tax are :

(a) Land revenue, the other direct tax in the agricultural sector, is inelastic in regard to agricultural income and revenue rate and is regressive by nature. It has no relation to the productivity of land and its incidence is inequitably distributed. For many reasons—political, economic and social—the possibility of reforming land revenue appears to be remote. Therefore, the reasons, which have necessitated reforming land revenue, have to be accounted for while reforming the agricultural income tax.

(b) During the whole planning period, a major part of public expenditure has been allocated to the rural sector for irrigation, fertilisers, schools, hospitals, veterinary services and so on. This has increased the productivity of agricultural sector and has improved the rural living, whereas the incidence of agricultural taxes has remained almost static. Any appreciation of the tax burden should be related to the enhanced productivity.

(c) The value of land has increased on account of increased irrigation facilities and land reclamation schemes, whereas no portion of this rise in value has accrued to the Government.

(d) In the agricultural sector, the rate of return of farm income

and size of farms appear to be inversely related. This relationship has to be reversed by bringing pressure on inefficient farming through additional monetary obligations. This pressure element has to be introduced in the agricultural tax when all facilities are assured to cultivators by the Government.

In view of these considerations, some tentative measures may be suggested as follows :

The agricultural income tax should be based on net income rather than on gross income. Since agriculturists usually do not maintain any records of their expenditure and produce, it may be, at the first instance, very difficult to arrive at the correct 'net income' of the farmers. This difficulty can be overcome by estimating the cost of cultivation and rate of return of some selected average or representative farmers and applying the same ratio to other farmers in the areas where similar conditions of cultivation exist. Such a provision will not unnecessarily penalise progressive farmers for their efforts at increasing the productivity of their lands. At the same time it will compel inefficient farmers to increase their production if they want to maintain their standard of living.

Value Assessment

The selection of appropriate price to assess the value of an agricultural produce is another problem. Agricultural prices are very sensitive to the changes in supply and demand which vary from season to season. Besides, agricultural prices have registered generally a five-year cycle of fluctuation. Therefore, if current prices are selected for evaluation, the Government will be deprived of its share (in terms of taxes) in the agricultural produce. For, during the period of rise in produce, prices would be generally low. If accepted for assessment, they will bring down the monetary value of the agricultural produce and hence the receipts from taxes; while, during the period of depression in which real produce declines, total agricultural income

will be lower because of the fall in actual produce, despite high prices. On the other hand, agriculturists would have to pay comparatively less taxes during prosperity and more during slump. Thus current prices do not conform to the principles of taxation.

It would also not be proper to change the rates of taxes frequently to adjust with the changing prices. It appears, therefore, reasonable that prices for evaluating agricultural produce for taxation purposes should be fixed on the average basis over a period of years, say five years. 'Parity prices' may also be used as an alternative.

Exemption limits for agricultural income tax should be brought down so as to make it proportionately adjusted with the exemption limit for income tax in the urban sector, keeping in view the level of income and cost of living in the two sectors. It would come to about Rs. 2400. This exemption limit will also help, to some extent, in checking tax evasion, because it will render the bifurcation of land unfruitful. At the same time it will help to increase the tax revenue by roping in the majority of viable farmers.

Rates of taxes should be progressive starting from 2 per cent on the first slab, but should, in no case, exceed 50 per cent of net income. Progressive rates will help to mop up big farmers. Such rates also conform to the equity principle of taxation. It may, moreover, help land reforms because inefficient farmers and absentee land-owners would find it costly to maintain landed property just for the sake of social prestige and land will be gradually transferred to those who can cultivate it efficiently.

The pattern of agricultural income taxation should be uniform in all the States. If farmers all over the country are taxed equitably with respect to their agricultural income, the possibility of any opposition on the part of farmers will be reduced.

The tax pattern should be revised from time to time so as to replace the land revenue which is an outdated, inelastic and regressive tax.

RAIL LINK TO INDIA'S BIGGEST DISTRICT

JAISALMER GETS NEW
LIFE, NEW HOPE

S.P. JAIN

JAISALMER, the biggest district in India, has been linked with the rest of India by rail for the first time. The long-cherished dream of the people of Jaisalmer, most of whom had never seen the steam engine, came true on January 28 last. On that day the first passenger train steamed off the new Jaisalmer railway station.

Jaisalmer, 39,000 sq. kms in area, has nearly 450 kms of common border with Pakistan. The proposal for a railway line to Jaisalmer dates back to the 'twenties. The erstwhile Bikaner state railway had then carried out a detailed survey for a 190 mile link from Sri Kolayatji, the terminus of a 31-mile long branch line emanating from Bikaner. It is said that the concerned "native prince" did not agree on the proposal.

The chief transport in the desert district was the so-called desert ship, the camel. It was a keenly felt need to bring Jaisalmer into the country's mainstream. The proposal was therefore revived again almost two decades later. But this was to extend Jodhpur-Pokaran railway link up to Jaisalmer, a distance of only 67 miles. The reconnaissance surveys were conducted in 1946 and 1948 and a location survey in 1950.

The construction of this rail link was, however, sanctioned only in 1966. The construction work was started in August that year. Linking of track was completed on August 14, 1967. The first locomotive "Jaisalmer Durg" hauling construction material steamed into Jaisalmer on the following day, 20 years after the country achieved its independence but an year after the construction of this link started. The construction of service and residential buildings and laying of tracks in station yards continued thereafter.

The cost of Pokaran-Jaisalmer line is about Rs. 2½ crore. Original estimated cost was Rs. 3 crore. Here is a project that has been completed according to the schedule and at a lesser cost than the estimates.

FILLIP TO ECONOMY

There are six new railway stations on the 107-kilometer Pokaran-Jaisalmer railway link. Water being a scarce commodity—"they give you milk, not water" is the saying of the area—arrangements have been made for Shri Bhadriya Lathi, Jetha Chandan and Jaisalmer to be water stations. Two tubewells, 700 feet deep at Shri

Bhadriya Lathi and 1000 feet deep at Jetha Chandan have been specially built. For the other stations, railways will carry water by rail-borne tankers.

Commercially, the line is unlikely to give any profits, according to the surveys carried out. However, besides serving the vital defence need, the link will give a fillip to the economy of the far-flung district in the treacherous Thar desert. A number of small-scale and cottage industries for dairy farming, wool and leather are expected to come up. The construction of this line has opened up possibilities for proper use of the vast mineral finds of this region. Among the minerals discovered are gypsum and rock phosphates. The Chemical Fertilisers Corporation of India has already set up a Gypsum Mining Project near Hamira railway station on this line.

There are high hopes for discovery of commercially feasible gas in the area. If this comes true, railways will have their share in the area's commercial prosperity and the link will surely turn profitable. The people look forward with hope and confidence to a new life and the new opportunities that come with it.



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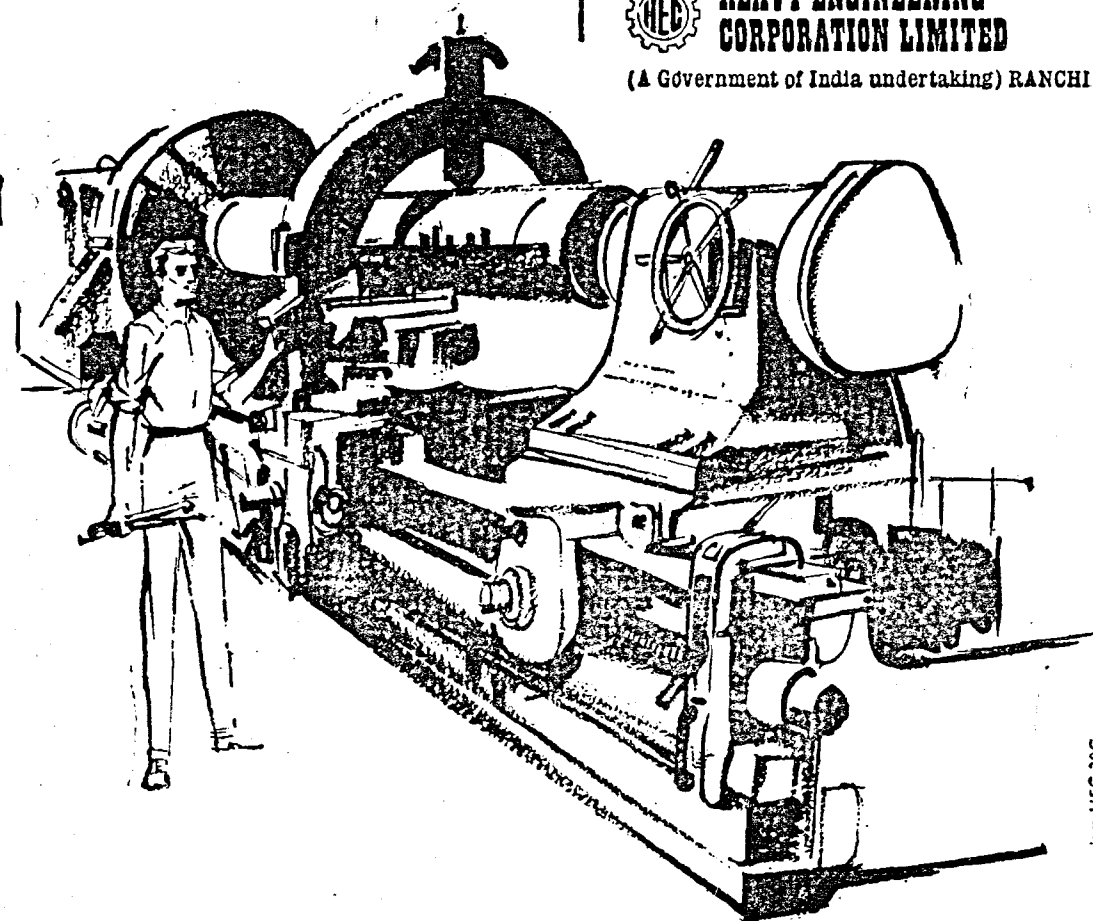
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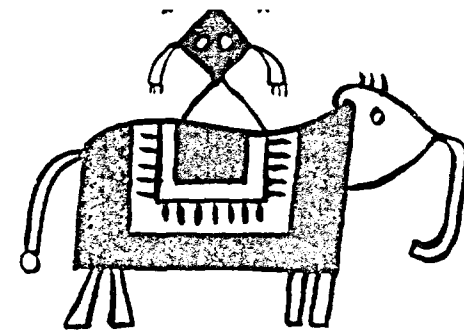


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HEC BUILDS THE MACHINES THAT BUILD THE NATION

SHOUDN'T BUDGET BEAR IMPRINT OF PLAN ?

S. S. VISWANATHAN



THE Annual Plans have become an integral part of Indian planning since the Second Five Year Plan. They are segments of the medium term plans, ensuring continuity of programmes and adherence to priorities on the one hand and giving flexibility on the other. The Five Year Plans drawn up in the perspective of long term goals and targets, by their very nature and the time lag involved, require to be made more detailed, precise and up-to-date for each year. In doing so, statistics of past performance and information on current trends in the economy such as price levels, availability of resources, are vital points for guidance. The opportunity is thus provided at the time of annual planning to take stock of the situation and make the plan a flexible and concrete document for action.

Over the years, the processes associated with annual planning have been improved upon, though it cannot be said that all the deficiencies have been overcome. Now that the intervening period between the end of the Third Plan and the commencement of the Fourth Plan is covered only by Annual Plans, it is all the more necessary that they are worked out in detail in a realistic manner so that, along with the annual budgets, they become truly operational in character.

The utility of the annual plan as a programme for action is largely lost, if the budget, the chief vehicle for translating the plan into reality, does not bear the imprint of the plan. It is, therefore, necessary that the processes connected with annual planning are over sufficiently in advance of the culmination of the budgetary activities. In the prevailing system, however, the time schedule for annual plan discussions is so arranged that it permits relatively less time for budgetary adjustments. Often the

time lag between the finalisation of the annual plan and the budget formulation is found to be inadequate to rework the programme content in the budget in the light of the outcome of the annual plan discussions. This is particularly true in the case of States in whose case there is the tendency to pitch the demands high and where, therefore, at the final stage of discussions with the Planning Commission, reductions are made in the overall size of the State's Plan under one or more sectors on account of scarce resources. It will then be rather difficult to make adjustments in the budget which would have been already drawn up in a tentative manner on the basis of the States' own estimates of resources position, particularly the quantum of likely Central assistance. In such a situation, the process of readjusting to the reduced outlays indicated in the annual plans poses problems. To start with, in the process of responding to the cuts, hasty steps have to be taken to delete certain items and include incomplete schemes and projects whose viability and cost-benefit aspects had not been adequately gone into. Some of these defects can, no doubt, be largely remedied if the discussions on annual plans are arranged earlier than now and completed well in time.

Another disturbing feature is the interplay of economic forces after the annual plan discussions, necessitating a further pruning of programmes and schemes in the last minute due to budgetary constraints which were either not anticipated earlier or given due recognition. When this happens, the annual plan gets distorted in execution. This is where the need for realism becomes important and, if need be, plans and also budgets of varying sizes and outlays on alternative assumptions could be drawn up and

kept ready to avoid being caught napping in re-programming. Though this may involve some additional labour, it is worth the trouble to ensure that advance programming goes into the planning and budgetary process.

Even where the annual plan figures under each sector get faithfully incorporated in the budget, the absence of a common language between the two could very well prove to be a serious drawback in plan implementation. Unless the plan and the budget are in the same wave-length, speak the same language and are thus identical in both content and form, implementation of plan is not possible of being effectively controlled. Uniform classification at all stages of planning, budgeting, accounting and reporting is vital for plan management. At present, the budget classification, which follows the accounts, is in terms of departments/organisations and arranged under the objects of expenditure such as pay of officers, pay of establishment, etc. On the other hand, the Plan speaks of sectors of economy, the 'heads of development' thereunder and the various programmes, activities and schemes under each. To give only a few examples, there are no heads of account corresponding to 'Agricultural Production' or 'Minor Irrigation'. So is the case with 'Soil Conservation', or flood control, etc. Expenditure under these developmental heads lies dispersed under the prescribed accounting heads in a number of places. Now, the budget as an instrument of execution and control, will be of little utility if it does not interpret the language of the plan. Towards this, changes are called for both under heads of development and the accounting heads followed in the budget so that the two may be drawn closer and correspondence ensured.

Another aspect that merits mention in this connection is the present emphasis in our budgets on the financial performance, to the comparative neglect of the physical achievements. The budget needs to be improved so as to bring out the physical and financial aspects of each programme and activity as an integrated whole, without which one of the functions of the budget in a planned economy, viz, aiding plan management and control, will remain unfulfilled. As a corollary, it follows that a sound system of progress reporting also needs to be developed to feed timely data to the various levels of management.

Planning and budgeting are not to be viewed separately; the former makes the latter meaningful, while the latter provides an operational framework to the former. They are thus complementary and must, therefore, be tied together by common links. It is necessary to keep in view their inter-relationships and the vital role of each in formulating the plans.



SOCIAL CONTROL OF BANKING

YOJANA has had to bring out this year two Special Numbers in succession (Republic Day Annual Number and UNCTAD II Special Number). This has meant some rescheduling in our programme of covering special themes in our future issues. Accordingly, the symposium on Social Control of Banking, scheduled for this issue, is postponed to a later date.

EDITOR

RURAL WORKS PROJECTS

An Assessment Of Achievements And Failures

M. K. PARDHY

THE Rural Works Programme was launched in 1961. The purpose was a better utilisation of the unemployed and the underemployed manpower in the rural areas. It was felt that the efforts contemplated in the Five Year Plans would take some time to build the rural economy and in the meantime some relief was needed for the idle or semi-idle men. The rural works programme, also known as Rural Manpower Projects, was intended to serve a twofold objective—to provide gainful employment to the unemployed and the underemployed for a considerable period in a year, and, at the same time, build assets which would help the development of rural areas.

The rural works projects were to be started in selected areas. The main criterion for selecting an area was heavy incidence of unemployment and underemployment. High density of population and relatively low agricultural productivity were the other considerations. The projects were expected to provide employment for about a hundred days in a year, particularly off the agricultural season. Works under the project were expected mainly to help agriculture, such as reclamation of land, soil conservation, and minor irrigation such as wells and tanks. Communications such as village roads, and social amenities such as school buildings and Panchayat houses were also included.

The Third Plan envisaged that the rural works programme would provide employment to about one

lakh persons in the first year and to about 25 lakh people over the five years. The Plan allocated a sum of Rs. 150 crore for the programme. However, on account of the emergency that overtook the country in 1962, the allocation was drastically cut down and only Rs. 19 crore were made available during the entire Plan period. This cut greatly hampered the progress of the programme.

Initially only 32 pilot projects were started in early 1961. The number of projects increased to 820 blocks by the end of December 1963.

To ensure successful working of the programme, the Planning Commission had insisted on a close watch on the progress of the projects. The Programme Evaluation Organisation of the Commission was asked to undertake a concurrent evaluation. The object of this evaluation was to review the progress of work, examine the organisational and administrative set-up and assess the impact of the programme. The first round of evaluation was conducted in 1961 in 46 selected projects. The work of evaluation continued in the succeeding years and by 1964 altogether 84 projects had been covered and about 2750 labourers had been interviewed for studying the impact of the programme. The P.E.O. has recently brought out a consolidated report on the working of the projects.

According to the report, the programme has failed to achieve its main objective, namely employment for a hundred days in a year to 25 lakh persons over the plan period. In 1963, the employment average was 39,600 mandays for a project, that is 100 days of work for 396 persons. It works out to about 3.2 lakh persons employed for 100 days in all the projects. On the whole, an expenditure of Rs. 100 generated 53 days of employment for a worker. "In most of the projects, the tempo of work had fluctuated widely, so much so that one does not get the impression that there had been a systematic and progressive built up of employment creation in the area over the

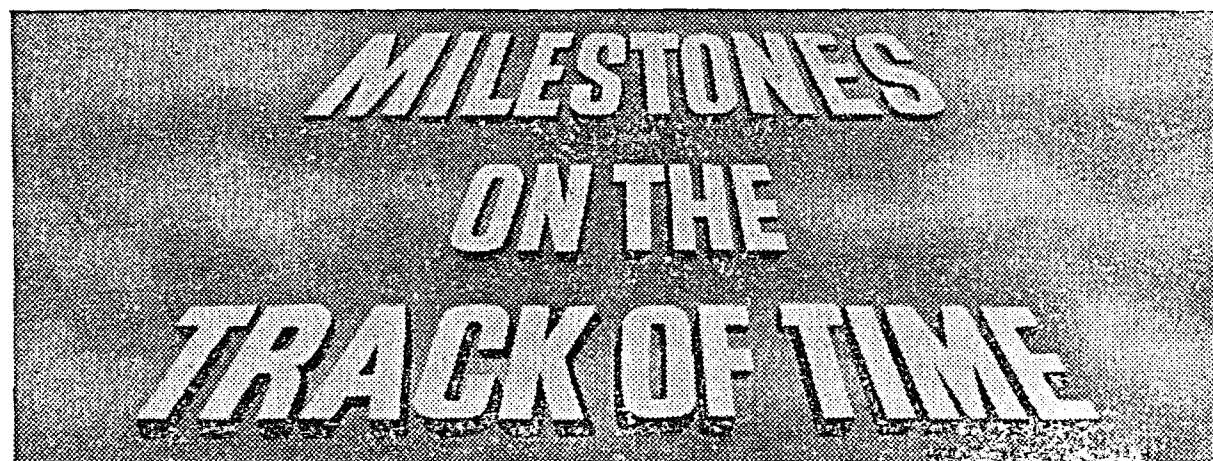
period of the project", says the report. "No attempt had been made to do any systematic employment planning over a period either for the area or for the relevant population."

The performance appears all the more unsatisfactory against the background of employment hunger in the rural areas. The interviews with selected workers showed that most of the workers were in need of employment almost throughout the year, particularly during the slack season. But, on an average, a worker got employment for about 160 to 200 days in a year, as against his requirement of about 250 days of employment. Of the total number of days a worker was employed, the programme accounted for only 17 to 33 days, while the other days of work were from sources outside the programme. Of course, the opportunities of employment remained higher during the busy season than in the slack season.

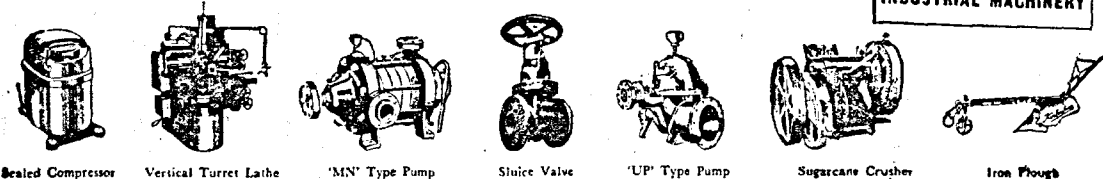
An analysis of the pattern of workers shows that the proportion of cultivators among the employment seekers was as high as 30 to 37 per cent, and agricultural labourers accounted for 31 to 44 per cent; the rest, less than a third, were from other classes. Among the cultivators, about 50 to 60 per cent owned less than 5 acres of land each, and the remaining 47 to 50 per cent had more than 5 acres.

The principal occupation of the majority of workers (about 60 per cent) was labour, agricultural or non-agricultural. More than half of the workers had subsidiary occupations too.

Communitywise, about half the workers belonged to the Scheduled Castes and Tribes. In some projects all the workers belonged to these backward communities. Most of the workers were in the age group 25 to 44 years. The proportion of men and women among the workers was about 4 to 1. Every worker household had about 2.6 working members. Most of the workers came from villages located within three kilometres of the work site.



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Many workers preferred the project work because the payment of wages in the projects was comparatively regular.

The works under the programme generally conformed to one of their objectives, namely developing the production potential of the rural areas. Roads, soil conservation and minor irrigation were the most common schemes. In the majority of projects under study, minor irrigation and conservation schemes predominated, while in some projects roads took a major share. Generally the expenditure on roads constituted about 30 per cent, but in four States—West Bengal, Kerala, Jammu and Kashmir, and Himachal Pradesh—it was over 60 per cent.

Shortcomings

However, some serious shortcomings were noticed in the selection and implementation of the schemes. First, many schemes were unproductive, such as drinking water wells, buildings and latrines. However, the number of unproductive schemes generally decreased in the later projects.

Secondly, sufficient thought was not given to the criteria in selecting the projects. It was felt that the State Governments did not have sufficient time and adequate data for selecting proper areas for the projects. "By and large, such blocks were selected which had some works schemes already prepared in some other connection, or where such schemes could be readily formulated." The situation, however, improved in the latter years.

Thirdly, organisational preparations fell short of requirements in some projects. For instance, progress of minor irrigation schemes was hampered in some States either because enough thought had not been given to their immediate feasibility or because of the rigidity of administrative procedures.

Delay has been the main handicap in the case of most of the projects. In most of the projects started in the first year, the schemes were initiated in March and the grants were to be utilised within a month, as the financial year closes by the end of March. Even in the third year, delays of varying

periods continued in starting the works in many areas.

The schemes under the programme were expected to involve minimum expenditure on equipment and materials so that the wage content was quite high for the benefit of workers. But in some of the projects, the cost of materials and the survey work was relatively high and not more than half the funds could be used for wages. This was applicable mainly to the schemes of roads and buildings.

In some States, such as Madras, Kerala, Andhra Pradesh, Gujarat and Rajasthan, the schemes of soil conservation were selected without any serious examination of the problems, bottlenecks and possibilities of their implementation. As a result, the schemes suffered from shortage of technical and trained personnel, inadequate administrative experience and rising costs.

However, it may be noted that the schemes selected in some areas were useful and timely. They would not have been taken up within the provision of the normal block budget or the departmental funds.

Labour Co-operatives

The labour force in the rural areas is generally not organised. An attempt to organise them was to be made in the project areas by forming labour co-operatives. But it was found that no such co-operatives were organised in some areas, and in some other areas, although such co-operatives were formed or were already in existence, no work was done through them. The main reasons for the ineffectiveness of such co-operative efforts were the petty contractors, paucity of efficient secretaries, difficulty in collecting the share capital and dispersal of labour over a large area. In certain areas no need was felt for organising the labour co-operatives and in some others it was asserted that no purpose was likely to be served by these institutions.

The projects generally received a growing co-operation of Gram Panchayats as it was intended. The schemes were worked generally through the Panchayats. Only in few cases the response from the

Panchayats was inadequate. The Panchayats which had established themselves well, gave a good account in the execution of the project schemes, while the weak ones could not show satisfactory results.

The expenditure on the projects appears to have tapered down in the course of years. On an average, a level of expenditure between Rs. 50,000 and 75,000 represented the capacity of a project for the first year of effective working. Only a third of the projects could spend about 60 per cent or more of their proposed outlays up to March 1963. The remaining two-thirds spent below 37 per cent of their outlays.

To make the programme more effective, it is felt that the selection of areas should be made only after a regular survey of employment conditions and a master plan should be drawn up for every project. In the master plan due consideration should be given to the periods of extreme unemployment. It should be prepared from the point of view of area development and should not be restricted to only man-power considerations. The schemes under the programme should be dovetailed with other programmes. Panchayati Raj institutions should be associated with the programme more closely.

RUBBER OUTPUT DOUBLED

THE production of natural rubber has doubled in the last five years. The annual increase has been 18 per cent, which is the highest in the world. The rate of increase in Malaysia and Ceylon, the other rubber-producing countries, has been less than five per cent. The production in India in 1966-67 was over 54,800 tonnes. Five years earlier it was only about 27,500 tonnes. The area under rubber has also increased to over 1,75,000 hectares. This is nearly double the area under rubber in 1956-57.

The production of synthetic rubber had also shown an increase in India and against 6848 long tons in 1963, it reached 15,358 long tons in 1966.

A War That Brought More Food To The People

It was an unusual warfare. The enemy came as if from nowhere—not one, not hundred, but in countless numbers. Each and every inch of ground had to be bitterly fought, air-force was also pressed into action; air-raid warnings were sounded and the whole theatre was alive with an unusual sense of urgency. It had all the elements of a full-scale war, but the only difference is that it was not fought between men. It was a war between fast-multiplying and fast-devouring caterpillars on the one side and the unguarded, unarmed and unequipped farmers of Madhya Pradesh on the other.

These pests were menacing the lush-green Rabi crops in nearly six districts of the State, producing pulses, and spread intensively in an area of over 7 lakh acres. The area had an unprecedented spell of drought for three consecutive years. Rains, this year, were good and timely, the improved variety of seeds had also been supplied to them very promptly and the cultivator was looking forward to a bumper crop. The fields were full of green seedlings and there was sunshine everywhere. Suddenly the sky became overcast and it started raining. At first, the farmers welcomed the showers hoping that they would add to the bountiful harvest, but alas, the rains knew no stopping. This unusually long spell of winter rains and damp atmosphere brought the harvest to the brink of disaster. The fields began to be over-run by the

notorious caterpillar who started consuming the tender green foliage at a terrible speed. The future for the cultivators of this area was once again bleak. Their precious food crops, in about 10 lakh acres, which would have normally produced grains worth over Rs 31 crore were at stake.

It was decided to fight the caterpillar on a war-footing. To cut through the red-tape and procedural delays, an ordinance was promulgated which made the spraying of killer-chemicals in heavily infested areas compulsory.

AEROPLANES IN ACTION

The farmers were equipped with pesticides at subsidised rates. In view of the vastness of the area and the enemy's enormous rate of multiplication, aeroplanes had to be deployed. This, however, had its problems. Airstrips had to be provided, speedy arrangements to supply the attacking aircraft with pesticides had to be made. These difficulties were surmounted in record time. Six airstrips were speedily constructed. More than a dozen aeroplanes and helicopters went into action and they covered an area of about 2.60 lakh acres in less than a fortnight. Pesticides worth about Rs 45 lakh were sprinkled during this period.

Although the aeroplanes were employed to cover more than a

thousand acres a day, there were areas for which aeroplanes could not be had. In such areas the farmers were locked in a fierce ground battle with the help of pumps and sprays for dusting. Over 2,000 power-sprayers and 4,000 to 5,000 hand-dusters were pressed into service. The chemicals were provided on nominal rates. Some of the farmers even fought with quickly improvised methods. It was a common sight to see the people filling a cloth or gunny with the chemical and beating the same with a stick over the plants so that they got well covered with the chemical.

What appeared to be a lost battle only ten days ago, has ushered in a new era for agriculture in the State. Putting the recovery at about 75 per cent, produce worth Rs. 25 crore has been saved. The farmers gained a new confidence against the onslaught of all kinds of pests against which they had earlier resigned themselves. They are now keen to make the pest-control a regular feature of their field-operations, for they have realised that the sudden onslaught was the cumulative effect of their neglect of the enemies. An old cultivator of the area, after watching the aerial spraying and its effectiveness, exclaimed, "Can't we, the farmers of five hundred villages, own an aircraft on co-operative basis?"



struggle for freedom. The Patrika fought many duels with Lord Curzon, the Viceroy, the most bitter among which was when he made the astounding statement in the course of his Convocation Address to the Calcutta University (February 11, 1905) that "the ideal of truth" was "a Western conception". The newspaper's retort created a sensation and Lord Curzon had to accept it in silence. A few months later, when Lord Curzon announced the Partition of Bengal, the Patrika led a crusade against the plan for the vivisection of the Province.

The agitation against the Partition was gathering strength, to which the only answer of the Government was to let loose a virtual reign of terror. Oppressive measures were adopted to curb nationalist elements, which only acted as a spur to the terrorist movement. The first bomb exploded in Muzaffarpur district (now in Bihar). And so it went on. Then came April 13, 1919, a day remembered by every Indian with sorrow and pride: the massacre of innocent men, women and children at Jallianwala Bagh in Amritsar. The unparalleled brutality of the action provoked the Patrika to write:

".....now the whole country is ablaze. It is not the educated Indians alone who are indignant at these gross outrages but the masses as well."

The Government retaliated by forfeiting the paper's security deposit of Rs. 5,000, and asked the Patrika to make a fresh deposit of Rs. 10,000. The Patrika replied to the Government's action by declaring: "We shall go on doing our duty as usual so long as life and freedom are preserved for us."

The Government struck again in June 1932, when the Patrika was asked to deposit a fresh security of Rs. 6,000. The newspaper's appeal to the Calcutta High Court failed; and

the Patrika commented: "The moods of Government vary. The liberty of the subject should not be made to depend on their varying moods, but rather on the spirit of the times." But the biggest blow dealt to the paper came in April 1935, when the Editor was found guilty of contempt by the Calcutta High Court and, on his refusal to express regret or tender an apology, was sentenced to imprisonment.

The news coverage of the Patrika, too, has brought it considerable fame. The newspaper's biggest scoop, however, was about the abdication of King Edward VIII (now the Duke of Windsor) in December 1936. The Patrika gave first news of the impending abdication of the King in a special edition. The report, based on a despatch from the newspaper's London correspondent, said that the King was "believed" to have "already signed the Instrument which would make his abdication final." It is interesting to recall that the cable was first delivered to the newspaper, but was withdrawn soon afterwards by the local postal authorities.

And so it goes on—the story of Amrita Bazar Patrika, which has been a part of the nation's life: a barometer which has reflected the various moods of its people and the country's onward march towards freedom and fulfilment. In its pages one can see India's history unfolding in many hues. Throughout these eventful first hundred years of its existence, Amrita Bazar Patrika has sought to live up to the ideals and to realise the goals that the founding fathers set for it. Its unflinching adherence to the ideal of secularity, its unswerving patriotism and its zeal and courage in championing the cause of the common man, have made Amrita Bazar Patrika honoured and respected among Indian newspapers.

TWO AGREEMENTS

INDIA and Singapore signed an agreement in Singapore on January 22 allowing their airlines to operate in each country. India and Singapore, according to the agreement, have given facilities for each other to stop at specified points for carrying international passengers, cargo and mail. Air India will be able to operate services from India to Singapore and beyond.

INDIA and the U.S.S.R. have signed an agreement in New Delhi for the supply of 600,000 tonnes of steel sections to the Soviet Union from Bhilai over a three year period. 200,000 tonnes of steel will be exported during 1968. Its cost will be over Rs. 13 crore. This contract is in addition to an earlier one for the supply of 100,000 tonnes of steel to the Soviet Union. The new contract is the biggest so far made between the Hindustan Steel and any foreign buyer.

INDIA'S PER CAPITA GROSS NATIONAL PRODUCT

PER capita gross national product of India during 1967 was lower than the figures for Algeria, Ghana, Iran, the United Arab Republic and Nigeria according to the latest statistics compiled by the Overseas's Institute of Canada.

The figures (in U.S. dollars) are: Algeria and Ghana 230, Iran 210, Nigeria 100, India 90 and Indonesia 70. Among the advanced countries the figure for Soviet Union stood at 890, the United Kingdom 1,810 and the United States 3,560. Israel's figure stands at 1,070.

TO OUR READERS

YOJANA values the comments of readers. You are, therefore, invited to express your view in letters for publication, which should not exceed 250 words.

EDITOR

Planning Forums

TONGA DRIVERS DISLIKE THEIR OCCUPATION

A Rajasthan College Survey

THE tongawallas of Rajasthan's Churu district do not want their children to follow their profession. This is one of the many findings that the Planning Forum of the Lohia College at Churu made in a survey of the socio-economic conditions of the tongawallas. There were 78 families of tongawallas in the district. Except five per cent who have been traditionally in this occupation, all of them have taken to it either by force of circumstances or by choice. Fifteen per cent of those who were engaged in this occupation had already left it and taken to other professions, like milk and vegetable selling and grocery. Thirty per cent of the families were also engaged in agriculture. A few among their families were in Government service.

A minimum sum of Rs 1,000 was required to take to the tonga drivers occupation though it would vary from time to time. The tonga driver's had no steady income. During marriage seasons, fairs and melas, their income rose considerably. The major portion of it was being spent on food. They spent Rs 5 a day on fodder for the horse and Rs 13 a month on tonga repair. An annual municipal tax of Rs. 10 is levied on tongas. The majority of tongawallas were under heavy debt bearing a high interest rate of up to 10 per cent. Only 9 per cent of the tongawallas borrowed for productive works. There were a few tongawallas who had saved up to Rs. 2,000.

On an average a tonga driver worked for 10 to 12 hours a day for 310 days in a year. The majority of the tongawallas work also during nights. Their peak earnings were between April and June.

Most of the tongawallas had their own houses, 20 per cent of which were pucca buildings. Only

10 per cent lived in rented houses. No house had electricity, or pure drinking water or sanitation facilities.

An unregistered tongawallas' union was there, but it was not functioning well due to lack of co-operation from its members.

There were no pucca shelters to protect the tongawallas and their horses from the oppressive heat of summer.

MORE THAN HALF FOR SMALL FAMILY

Survey of a Madras Village

THE Planning Forum of Chikkiah Naicker Mahajana College, Erode, made a socio-economic survey in the hamlet of Perode of the Erode Panchayat union. They found that the village was backward in every respect.

Fiftyone families with a population of 218 were surveyed, and it was found that sex ratio was equal. There were 109 males and 109 females. There were two large families (8 and above), 18 optimum families and 31 small families.

Perode was found, according to the survey, to be educationally backward. There were only 63 literates, 49 men and 14 women. Only 29 per cent were literate. There was no degree-holder.

Agriculture was the main occupation of most of the families. Except two weaver's families all were agriculturists. Weaving was also a means of livelihood for six families.

Twentysix families owned land—ed property while 23 families were landless. The per capita income

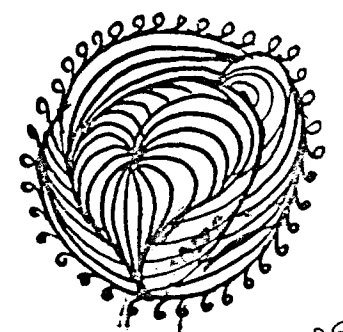
was Rs. 285. It falls short of the national level, hence poor standard of living.

Only one family's income was above Rs. 5,000. Savings were stated to be nil. Two families have taken up Life Insurance Policy. 23 families were in debt. Eight families supported cow slaughter for supplementing food while 27 opposed. 29 families were for prohibition and 22 against. 26 families gave consent for family planning while 22 opposed it.

BIHAR FORUMS SERVE PEOPLE

PLANNING forums in Bihar have played a vital role in minimising the hardships caused by drought and subsequent scarcity conditions. The students and staff of the various college planning forums worked side by side with official and voluntary bodies to serve the people. Side by side with food distribution, they also undertook measures to minimise the rigours of any future failure of monsoon. The performance of drilling wells for drinking water and irrigation was the most significant aspect of the work.

As a part of the agricultural production drive, the planning forums of the Tirhat College of Agriculture, Dholi (Muzzafarpur), worked among the cultivators in the villages of the Special Extension Block, Murol. The students and staff discussed with cultivators the ways of improving the cultivation of paddy and maize. They also explained the advantages of growing vegetables. Now the villagers have started using improved seeds and chemical fertilisers to increase agricultural production.



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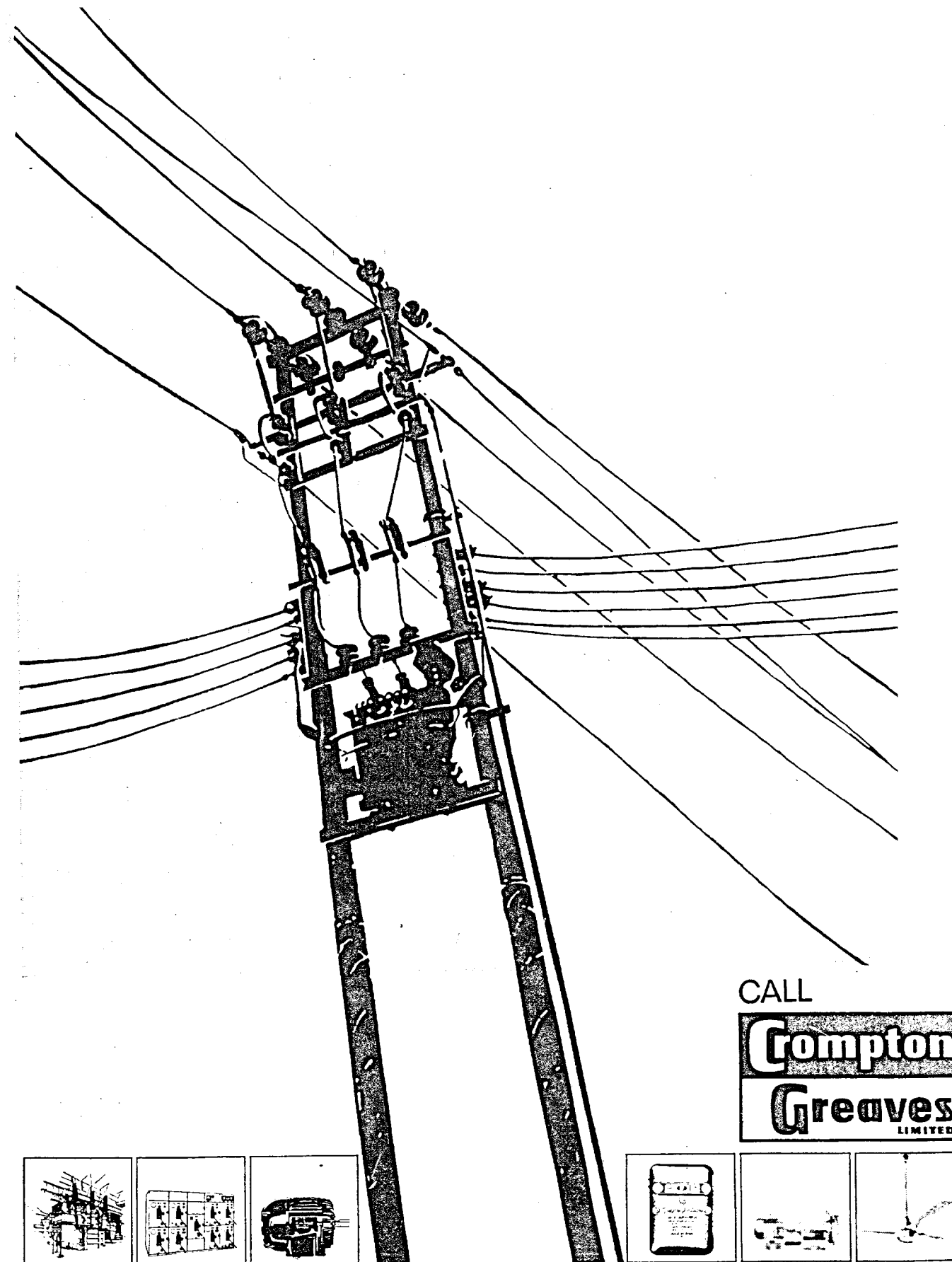
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