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EASTERN ECONOMIST

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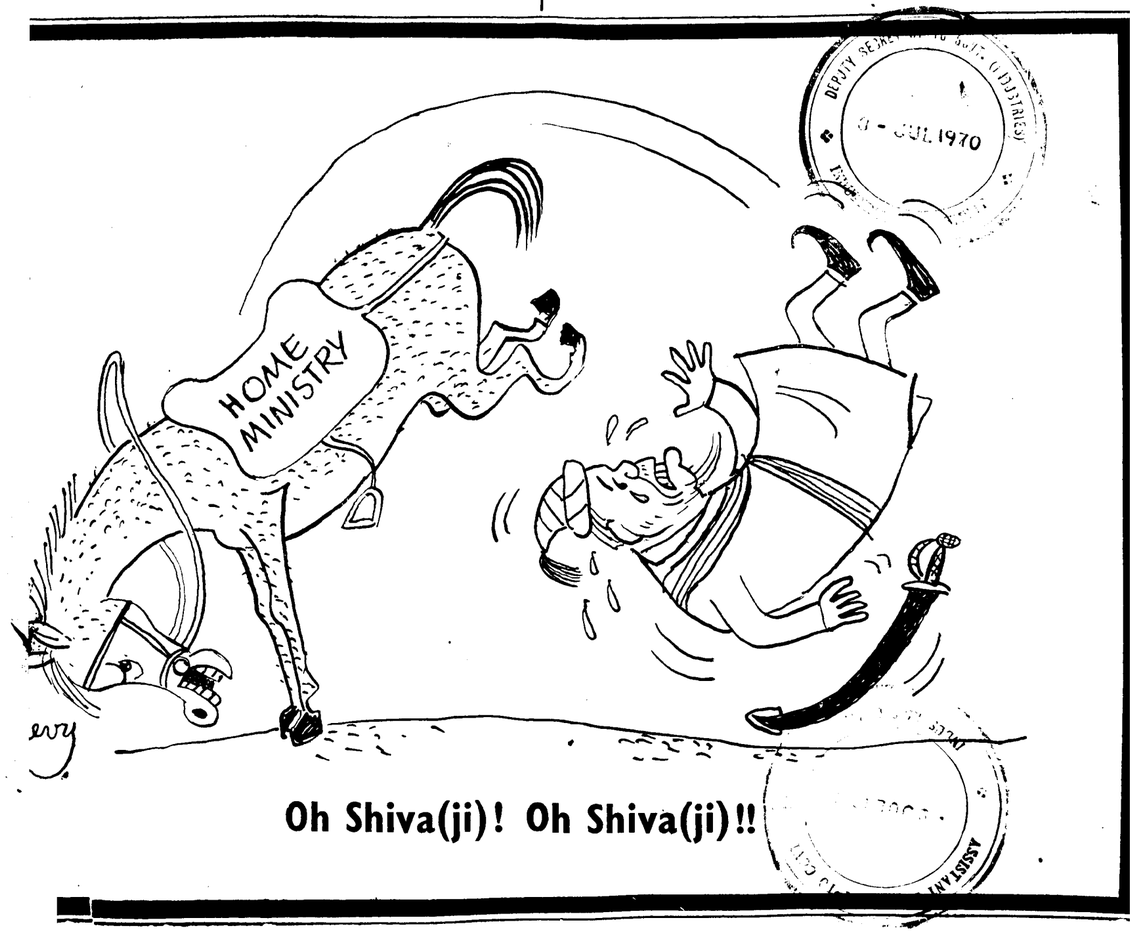
Fun and Games

Picking up the Pieces

Cotton Trade : Struggle for Survival

Supreme Court and Wage Policy
K. S. V. MENON

Worsening Terms of Aid
H. R. VOHRA



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ASSISTANT

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AGENTS : Gangabishan Bhasin, Krishan Gali, Katra Neel; S. K. Traders, Katra Neel, Chandni Chowk, Delhi.

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FUN AND GAMES

THE MAIN interest in this cabinet reshuffle was centred in the fortunes of existing ministers rather than in the prospects of possible entrants. Mr Hanumanthiah's inclusion was among the less well-kept secrets of the Prime Minister's plans, thanks largely to Mr Hanumanthiah himself. Mrs Gandhi simply had to yield to the importunities of this ancient war-horse which was so noisily neighing for its bag of oats; additionally, of course, it would have been fun for her, thus doing Mr Nijalingappa in the eye. The induction of Mr K.R. Ganesh, even if merely at the level of Deputy Minister, must have given her another spot of more or less innocent enjoyment; the Young Turks have been shown their place and Mr Chandrasekhar and his coterie given further cause to cultivate their political ulcers.

The highlights of the reshuffling process, however, were, as we had suggested at the outset, the Prime Minister's intentions regarding some of the men who were already in the council of ministers. More specifically, there was the *keddah* operation conducted with the aim of taming Mr Y.B. Chavan and the cat-and-mouse game featuring Mr Dinesh Singh as the unhappy rodent. In sporting thus, the Prime Minister was in the advantageous position of having made the rules herself. Poor Mr Chavan never had a chance, although he seemed to be the last to become aware of this. Just as Mr Morarji Desai was demolished with the battle-axe of radical socialism, Mr Chavan has been diminished with the pruning knife of radiant secularism. Less spectacularly, but not less effectively, even Mr Jagjivan Ram has been shown his place. There can be no talk any where any more of a Deputy Prime Ministership for him. His transfer to the Defence Ministry, even as Mr Swaran Singh's shift to External Affairs, is only a consequence of Mrs Gandhi's more basic decisions to force a change on Mr Dinesh Singh and Mr Fakhruddin Ali Ahmed.

Why precisely Mr Dinesh Singh was made to endure what he had to endure will perhaps remain a minor mystery. An educated guess could be that, like other colleagues of Mrs Gandhi, he discovered soon enough and without any pleasure that a minister holding any portfolio in which the Prime Minister had a special interest had to be content to be less than a master in his own house. If this was the case, his recent political fortunes could have been the product of a desire on his part to assert his individuality in the business or style of the Ministry of External Affairs. An uneasy relationship of this kind might have been further complicated by problems of personal relations or political association. All this and much else could be food for more or less interesting speculation.

More profitably it could be suggested that Mr Dinesh Singh seems a promising Minister for Industrial Development and may well prove to be a productive one soon enough. The nation will be grateful for such an evolution. We wish we could express equal satisfaction with the change of assignment for Mr B.R. Bhagat. Foreign Trade is a very important portfolio and the promotion of foreign trade is essentially an exercise in the long haul. There was a clear advantage in letting a minister stay sufficiently long at this job, unless of course, that particular minister was clearly needed elsewhere. The Steel and Heavy Engineering portfolio, however complicated its current problems may seem to be, is basically an administrative rather than a policy portfolio and Mr K.C. Pant, who had been studiously and enthusiastically addressing himself to its intricacies, could have been left in independent charge. As it is the Ministry of Foreign Trade has been downgraded and placed in independent charge of a Minister of State, Mr L.N. Mishra, who is so far known primarily as one of the more prominent political activists in his party.

There is some disappointment in the country that the Prime Minister did not consider it desirable to cut out the deadwood in the council of ministers. She, apparently, was not over-concerned on this occasion to improve the efficiency of the government, although one or two of the changes made happen to be for the better. The Prime Minister's principal purpose, clearly, was to emphasise her primacy in her party and her authority in the government so that she could use both more effectively as instruments of her political will. In this she seems to have succeeded for the time being. Judgment must be suspended, however, on the long-term consequences for her. In fact, it may not really be long before such strains and tensions as may have been created by some of her decisions on persons

and portfolios come to the surface, challenging her credibility to her colleagues as well as her partymen generally. The question whether she has strengthened herself politically by the cabinet reshuffle or not will therefore have to be finally answered in terms of that challenge, when it comes, and her response to it.

Picking Up the Pieces

AT ITS AICC session held in the capital a few days ago, the "official" Congress party gave welcome evidence of having recovered from the traumatic shock of the great split. The resolutions and speeches, despite their polemical overtones, suggested that this party was in earnest about picking up the pieces of the shattered organization and welding them with other acceptable political forces into a broad-based movement in the country dedicated to the unity and economic progress of the nation. Although the design is yet to be completed or even conceived in all its parts, it has already taken recognizable shape as a positive and realistic contribution to the rationalization of the national political scene against the background of the inter-party equations which have been evolving as a result of the last general election and subsequent political developments such as the fortunes of the United Front ministries in West Bengal and Kerala, the proliferation of Leftist subversion, the strident assertiveness of regional parties and parochial movements and the schism in the Congress organization.

The outstanding gain of this political conference was that a party, which could still appeal with a high degree of legtimacy to cherished nationalist traditions, had woken in time to the true priorities of national security, stability and growth. By pinpointing the nature of the threat to orderly political and economic progress and identifying this threat couragequsly with certain alien ideologies masquerading as movements for the people's well-being, this conference spelt out the basic alphabet for the education of public opinion and the consolidation of democratic nationalist forces in the defence of the people's freedom and the country's sovereignty. In a phase of our political history in which alliances of parties rather than individual parties seem destined to play the decisive part, the "official" Congress has had the wisdom to relate its present thinking promptly enough to the "facts" of the future.

In the Economic Policy resolution, we have for the first time in the proceedings of political party conclaves, an earnest attempt to deal seriously with the major issues of the fourth Plan. This is not to say that this discussion has successfully resisted all temptations to make compromises. In such matters as the further expansion of the public sector or the relevance of the tax patterns and levels to capital formation, it has clearly failed to be faithful to the logic of its own analysis or arguments. Again, on the scale of investment during the fourth Plan period, it has committed itself to certain obviously extravagant suggestions thereby missing a fine opportunity to emphasize effectively the really important desideratum of a rational allocation of resources and their efficient utilization within the framework of the realistic saving and investment capabilities of the national economy.

Nevertheless, in substantial compensation for such lapses, the resolution has asserted the primacy of increased production and faster economic growth as the genuine means of reducing mass poverty or expanding employment and, in this connection, called for a dynamic policy of industrial expansion. Here, we would like to point out, is a straight challenge to the ruling party — a challenge which that party cannot afford to ignore — and, even more interestingly, an invitation to co-operate addressed obviously to those political parties with whom the official Congress presumably hopes to work together for the preservation of democratic values and national unity. The point of all this exercise, then, must be that, in addition to putting the fear of the next general election into the ruling party, the "official" Congress should be able to project itself as a worthwhile major partner in any possible alliance for countering the forces of economic and political subversion. In this sense, this conference can be but the beginning of the story.

Struggle For Survival

THE PROPOSED take-over of cotton trade by the public sector and the canalisation of cotton imports through the state agencies threaten to put out of employment no less than 300,000 persons in this country who have specialised in this trade. It was this gloomy prospect which impelled cotton traders from all over the country to get together in the capital on June 22 and 23 and impress upon the Government of India the dire consequences which would follow in the wake of the measures which are proposed to be taken. The traders decided to form a new organisation to be called the Federation of All-India Cotton Organisations for putting up a fight in case the government did not revise its policy in regard to cotton trading. While the constitution of the new organisation is still being framed, the traders have been urged by their leaders not to support the government or co-operate with it in any measure having a director an indirect bearing on the takeover of the cotton trade by the state.

It was at its plenary session in Bombay that the ruling Congress group had passed a resolution which stated that the wholesale trade of major agricultural commodities should be brought within the control of the public sector. This drastic measure, it was alleged, was necessary to ensure economic and remunerative prices to the producer who, it was suggested, needed to be saved from the clutches of the middlemen. The moot question is: what is the truth in the allegation that the cotton producer is being fleeced by the cotton trade?

A recent study sponsored by the Department of Economics, University of Bombay, and completed by Messrs M.G. Pavaskar and V. Radhakrishnan under the guidance of Prof. M. L. Dantwala has shown that the present system of cotton marketing is by far more economical than is often believed by its critics. This study was confined to four major assembling markets in the Khandesh region of Maharashtra. The finding of this study has knocked the bottom out of the much-publicised tirade of the ruling party that the trader tends to charge heavily for the service rendered by him.

The traders' fear that the monopoly procurement of cotton in the public sector would enhance the marketing costs is on the basis of the experience of similar public sector trading in other commodities. The nationalisation of cotton trading would, it is feared, defeat the very objective for which it is proposed to be brought about. Moreover, the government possesses neither the expertise nor the administrative machinery to take on this heavy responsibility. The financial outlay that it would be called upon to commit for trading could be used more profitably in promoting the productivity of land under cotton. There is thus no justification, economic or social, for the take-over of cotton trading by the state and the government would indeed be taking an unwise and risky step if it did implement the proposal purely from ideological reasons.

As it is, the cotton trade has been operating under a serious handicap since 1965. The "credit control" policy of the Reserve Bank of India has been fashioned from time to time so as to raise hurdles for the cotton traders. In August 1965, the Reserve Bank of India directed the commercial banks to raise the margins against cotton and kapas from 25 to 50 per cent. In 1967, a ceiling was imposed on the quantum of advances and the banks as a whole were required not to grant advances in excess of 85 per cent of utilised credits in the corresponding period in the previous year. In November 1967, the margins for cotton were raised from 25 to 35 per cent. During the current year, the margins have been raised to 75 per cent and the interest rate has been raised to 12 per cent. All these measures were taken ostensibly to check the rise in cotton prices which it was presumed was due to hoarding of cotton by traders. However, all these steps failed to arrest the increase in prices because the basic cause was the imbalance between demand and supply and not any manipulations by traders. If anything, the stringent measures of credit control made it impossible for traders to play their rightful role in marketing the cotton crop.

The trader forms a useful link between the farmer and the industry. He cannot discharge his obligations in an orderly manner if the regular channels of credit are denied to him. One of the resolutions at the conference, therefore, demanded of the government that "adequate credit facilities should be made available to all sections involved in the marketing of cotton to enable them to market the crop smoothly" and that "the credit limits and margins sanctioned in the beginning of the season to individual traders should not be disturbed". In the words of Mr Madanmohan Ruia, president of the conference, the "selective credit control has reduced the status of cotton from being a cash crop into a credit crop." This policy has brought needless hardship both to the trader and the farmer and needs to be given up.

Since September 1966, futures trading in cotton has been banned in this country. The ruling Congress party in one of its recent meetings recommended the imposition of immediate ban on forward trading in all agricultural products implying that futures trading in cotton should not be allowed. No cogent reasons have been advanced for the proposed ban on futures trading. An impression, however, prevails that the working of the futures markets is inimical to the interests of the farmer.

That there is no substance in this charge has been categorically stated by the Dantwala Committee which reviewed the working of the futures markets in this country. Here is a relevant quotation from this report: "If the consumers (primarily the manufacturers) were to restrict their purchases at the harvest time only to their current requirements — which would be a fraction of their total annual demand — there would be a sharp post-harvest fall in prices. The only way to prevent the slump is to hold back the supply which is not currently needed. Any one who does this stocking (the farmer, the trader or the processor) would be assuming the risk of price fluctuations — and therefore speculating. The trader would be willing to buy up the rushing market arrivals at harvest time provided he is able to reduce, if not eliminate, the risk in stock holding. This he can do through hedging on the futures markets. In the absence of large purchases at the harvest time by the trader (or even by non-profit making market agencies) on the ready market for future consumption, farm prices would slump, adversely affecting the farming interests. Futures trading, by increasing the safety on such forward buying and storage helps to prevent the post-harvest slump in prices."

It is thus clear that the futures markets far from harming the interests of the farmers, are helpful to them. Moreover the futures markets reduce the seasonal and short-period variations in commodity prices and have a sobering impact on prices. The conference therefore was justified in urging the government to permit the futures trading in cotton from the next season.

The decision regarding the canalisation of cotton imports was taken by the government last year and a committee was appointed to study the implications of this step. It is reported that the committee has recently submitted its scheme to the government for the canalisation of cotton imports. The conference of cotton traders stated in one of its resolutions that there was no need for state take-over of imports of cotton as "the existing system is in itself a sophisticated form of canalisation." The fact is that at present only the mills are allowed to import cotton according to quotas fixed by the government. There is no possibility of the trader taking part in this trade. The advantage under the present system is that each mill can buy the quality of cotton which it needs.

After canalisation, if and when it comes, cotton bought by the state agency in bulk might not measure up to the specifications of individual mills. Moreover, the expertise of the trade channels acquired over decades would be lost and hundreds of persons employed in this trade would be thrown out of work. The canalisation of cotton imports would not have any direct effect on cotton traders but they are rightly afraid that the internal take-over of the cotton trade would follow close on the heels of canalisation. It would be wrong on the part of the central government to treat their considered views as the special pleading of an interested minority group. Such a reaction would savour of arbitrariness and would be inconsistent with the obligations of a responsible democratic administration.

Indian Jute Losing Australia

A STUDY of Australia's import statistics reveals some interesting though somewhat disturbing trends in regard to the export of our jute goods. Australia has been an important market for our jute products especially for woolpacks and cornsacks. But in recent months our jute goods have been facing increasing competition not only from Pakistan but also Japan.

In the first half (July-December) of the Australian financial year 1969-70, imports of hessians including carpet backing from India slightly improved to A$4,087,254 from A$3,881,696 in the corresponding period of 1968-69 and sacking cloth to A$1,043,377 from A$448,672. But import of cornsacks fell steeply from A$265,579 in the first half of 1968-69 to A$37,118 in the first half of 1969-70 and woolpacks from A$1,266,147 to A$115,624.

Pakistan's competition is cutting into our imports of practically all varieties of jute goods. For instance, while imports of hessian from India declined from A$9,080,929 in the full year 1967-68 to A$8,097,103, the imports from Pakistan shot up from A$661,000 to A$1,083,000 in the same period. Australia's total imports of hessian (including carpet backing) were valued at A$9.2 million in 1968-69 against A$9.7 million in the preceding year.

Indian cornsacks have been practically wiped out of Australia. In 1964-65 we exported to that country cornsacks valued at A$5.5 million. In 1966-67 this figure declined to A$1,188,601 and to A$666,998 in 1967-68. In 1968-69 there was a further fall to A$319,247. But imports of cornsacks from Pakistan, though showing a declining trend, constitute Australia's major source of supply. Pakistan's share was A$10,765,000 in 1966-67, A$7,175,000 in 1967-68 and A$6,262,000 in 1968-69. Australia's total

imports of cornsacks were valued at A$6.6 million in 1968-69 which were lower by about A$1.1 million compared to the previous year.

In woolpacks also Pakistan has been effectively ousting India. Australia's imports of Pak woolpacks have steadily increased from A$2,219,000 in 1966-67 to A$2,331,000 in 1967-68 and A$3,891,000 in 1968-69. But in the same years imports of Indian woolpacks have declined from A$4,673,199 to A$3,787,188 and to A$1,479,485 respectively.

Meanwhile, Japan's woolpacks have been rapidly making headway inta Australia. The import of new woolpacks from Japan rose steadily from A$51,000 in 1966-67 to A$272,000 in 1967-68 and to A$1,233,000 in 1968-69, and of secondhand woolpacks from A$414,000 to A$441,000 and to A$515,000 in the three years respectively.

The set-back to our jute goods in Australia appears to be mainly due to uncompetitive prices. The Indian woolpack is superior to that of Pakistan and therefore costlier. The Indian High Commission in Sydney has suggested Australia does not need such good quality woolpack and that a cheaper and slightly inferior product can sell well.

Our analysis calls for intensive research by the Indian Jute Mills Association into the changing pattern of the Australian market. Though the IJMA in recent years has been giving special attention to Australia, the fact that Pakistan and Japan have been able to challenge seriously our export of jute goods shows clearly that India has not been sufficiently alert. The Australian economy continues to grow vigorously. The growth of her GNP at constant prices was 8.7 per cent in 1968-69 against 3.4 per cent in 1967-68 and 6.2 per cent in 1966-67. The increase at the current prices is estimated at 12 per cent. The demand for various types of jute goods is expected to show a continuous increase. The Indian jute industry therefore should take advantage of this expanding market to push up the sale of its products.

The set-back to Indian jute goods in such an important market as Australia should make New Delhi reflect on its policy towards the jute industry. It is not only in Australia but also in other major markets such as the USA and the UK that our jute goods are being priced out. As a spokesman of the Indian jute industry said recently, "India is confronted with a pincer movement from synthetics on the one hand and Pakistan, on the other." He added that our main difficulty was that we had not yet found an answer to the bonus voucher scheme of Pakistan. "It is the persistent assistance," he said, "given by the Pakistan government to its jute industry which has tilted the balance in its favour demonstrably and effectively." New Delhi, of course, is not unaware of the many facilities and incentives available to the jute industry in Pakistan. But its policy towards our jute industry remains far from being constructive although the drop in our jute goods exports in 1969 was "unparalleled in our long history", according to the Indian Jute Mills Association.

The table below shows the trends in the import of Indian jute goods into Australia.

IMPORTS OF JUTE GOODS FROM INDIA

(Australian$)

	1966-67	1967-68	1968-69
Jute, not spun, tow and waste	20,204	35,926	26,215
Yarn of jute	..	14,723	8,582
Hessians	8,857,469	9,080,929	8,097,103
Brattice cloth	33,198	76,049	13,425
Woven fabrics of jute—other, chiefly of jute	61	5,993	3,863
Woven fabrics of jute—other, wholly of jute	1,310,002	1,222,784	1,105,884
Sacks and bags of a kind used for packing of goods—new—bran, chaff and compressed fodder	301,181	385,255	311,546
Sacks and bags of a kind used for packing of goods—new—corn and flour	1,188,601	666,998	319,247
Sacks and bags of a kind used for packing goods new—woolpacks	4,673,199	3,787,188	1,479,485
Sacks and bags of a kind used for packing of goods—second-hand—other	4,659	5,754	—
Other carpets, carpeting, rugs, mats and matting and heavy handwoven fabrics— wholly or chiefly of jute (incl. jute and paper)— piece-goods (i.e. continuous rolls)	48,723	75,141	58,263
Other carpets, carpeting, rugs, mats, and matting and heavy hand-woven fabrics — wholly or chiefly of jute (incl. jute and paper)—other	458	1,641	294
Sacks and bags of a kind used for packing of goods—second woolpacks	36,322	18,494	12,459
	16,464,077	15,376,875	11,436,365

Steel Plans in Perspective

M. Y. GHORPADE, M.L.A.

THE SANDUR-HOSPET region is world famous for its exceptionally rich and plentiful iron ore, the proved reserves being of the order of one thousand million tonnes. A large-size steel plant is the birth right of this area. This has been officially recognised and conceded by the recent central announcement in this regard. But when the proposed steel plant will actually commence and be completed, and what will be its initial and final size, are crucial matters which are yet to be clearly indicated. It has however been stated that work on the three steel plants will commence during the fourth Plan and that it takes about seven years for the plant to go into production. The preparation of the project report itself is expected to take a year and a half.

Mr K.C. Pant, the Minister for Steel and Heavy Engineering, is reported to have told the Lok Sabha that the government was contemplating a 15-year steel plan and that it had come to the conclusion that steel capacity would have to be doubled in 10 years — the present total steel ingot capacity of 9 million tonnes being increased by one million tonnes every year. He also pointed out that if two-million-ton steel plants are to be set up, one such plant would have to be started every alternative year. But, he significantly added that this would depend on the capacity of the Heavy Engineering Corporation to turn out the necessary equipment in time.

Financial Implications

The financial implication of this programme will also have to be carefully worked out. The average capital cost of the existing three steel plants of Hindustan Steel Ltd, is about Rs 2,500 per ton of steel capacity. On this basis, the cost of setting up a two-million-ton steel plant will be at least Rs 500 crores and, perhaps, more at probable future prices. An increase of about 10 million tonnes in steel ingot capacity in the next ten years will cost at least Rs 2,500 crores. The total outlay will be more to the extent to which capital cost per ton goes up during this period. It is against this scale of financial requirements that the meagre fourth Plan provision of Rs 110 crores will have to be seen. More than Rs 1,000 crores will have to be spent during each of the next two five-year periods if steel production is to be doubled by the end of the fifth five-year Plan or 1980.

Normally, a two-million-ton steel plant should be stepped up to four million tonnes and this should be envisaged from the very beginning. The Bokaro steel plant, whose first stage is 1.7 million tonnes, will go up to four million tonnes in its final stage. Mr K.C. Pant has stated that the Bhilai steel plant will be expanded from 2.5 million to 4.2 million tonnes and that the capacity of the Durgapur alloy steel plant will be doubled. The existing capacities of Rourkela and Durgapur steel plants, and TISCO and IISCO are 1.8, 1.6, two and one million tonnes respectively. The present total ingot steel capacity of about nine million tonnes does not take into account 1.7 million tonnes of Bokaro's first stage which is still to be completed. The yield rates for conversion of ingot to finished steel may be taken as about 69 per cent for flat products and 78 per cent for non-flat products. As a rough approximation, the availability of finished steel may be taken as 75 per cent of steel ingot capacity.

Actual Availability

The Steering Group on Iron and Steel of the Ministry of Steel and Heavy Engineering, Government of India, in its report of February 1969, had estimated the actual availability as 6.34 million tonnes of finished steel and 1.14 million tonnes of pig iron which would be short of requirements for domestic demand plus planned exports by about two million tonnes of finished steel in 1973-74. The completion of Bokaro stage I and a sixth blast furnace at Bhilai was expected to increase availability of finished steel to 7.8 million tonnes in the fourth Plan period, leaving a gap of half a million tonnes. However, the gap or shortfall of supply compared to estimated demand was put at three million tonnes in 1978-79 by the Steering Group.

This gap would be double on the basis of the demand projections made by the National Council of Applied Economic Research (NCAER). The availability of finished steel will have to increase by about 7.5 million tonnes during the period 1973-74 and 1980-81 because the availability of finished steel by 1973-74 will be 7.8 million tonnes, while the steel demand estimated by NCAER is 15.37 million tonnes by 1980-81. To increase steel availability by 7.5 million tonnes the ingot steel capacity will have to be increased by about 10 million tonnes. Therefore even after taking into account the proposed expansion of Bokaro and Bhilai, three two-million-tonne steel plants will have to be started now so that they could go into full production in the fifth Plan period and their capacities could be doubled during the sixth Plan (apart from any other steel plants to be started during the fifth Plan to take care of estimated demand in the sixth and seventh Plan periods, i.e., 1980 to 1990). On this basis, the Hospet steel plant will need an average outlay of about Rs 100 crores per annum for the next 12 years if it is to make normal progress.

Demand Estimation

The Steering Group of the Ministry of Steel estimated the demand for finished steel at the end of the fourth and fifth Plans i.e. 1973-74 and 1978-79 as 7.12 and 10.97 million tonnes respectively. The NCAER in their publication of September 1968, estimated that the demand for finished steel will be 7.12 million tonnes in 1970-71. 10.51 million tonnes in 1975-76 and 15.37 million tonnes in 1980-81. On this basis, the steel ingot capacity will have to be about 20 million tonnes in 1980-81 to get finished steel of about 15 million tonnes. The demand estimates made by the NCAER by the end-use method are based on certain assumptions regarding overall growth rate. The NCAER study states that the growth in agricultural sector would be about 2.5 per cent cumulative from 1967-68 onwards and that the growth in industries would be about 7.8 per cent. The combined effect of these two is an overall growth rate of 2.1 per cent up to 1970-71 and 4 per cent beyond 1970-71." The estimated demand of 15.37 million tonnes of finished steel in 1980-81 assumes a growth rate of 5 per cent between 1975-76 and 1980-81. The demand is estimated to go up to 18.8 million tonnes if the growth rate during this period could be stepped up from 5 to 7.5 per cent.

It may be interesting to recall that when our steel production was 1.5 million tonnes in the first Plan period, the target for steel production was placed at 6 million tonnes in the second Plan and 18 million tonnes in the third Plan, which was later scaled down to 10 million tonnes, and resulted in the actual production in 1967-68 of 6.2 million tonnes of ingot steel and

4.6 million tonnes of saleable steel. There was a recession and domestic consumption of steel declined from 5.36 million tonnes in 1964-65 to 4.03 million tonnes in 1967-68. Direct investment in India's integrated steel plants amounted to 11 per cent of the aggregate plan outlay during the second Plan period. It was to be about 6 per cent in the third Plan. What would it be in the fourth and fifth Plans and will this suffice is the big question. As we see, at least Rs 250 crores will have to be spent on steel every year at the present prices.

From this analysis, it is obvious that the recent announcement regarding the three steel plants should not be allowed to prompt a sense of smug complacency. Things will not happen unless they are carefully planned and continuously pressed at every stage for the next ten years. Attention to details and incorporation of the latest techniques and development in steel making is very necessary to ensure a bright future for the proposed steel plants. Japan, for instance, has installed blast furnaces of a capacity of 5,000 to 7,000 tonnes per day while our blast furnaces have a capacity of 1,000 to 1,500 tonnes per day. The technological advantages of continuous casting should also be utilised to keep down costs of production. A pelletisation plant to pelletise about two million tonnes of iron ore dust is a natural corollary of the Donimalai iron ore project to mine four million tonnes of iron ore, half of which will be dust. A 20-crore pelletisation plant, whose water requirements have been promised by the Mysore government from the proposed Taranagar medium irrigation project, will not only ensure the economic feasibility of the Donimalai project but produce pellets which will be excellent feed for steel making in the proposed steel plant. Such an integrated and well-planned development will put Bellary district in the forefront of industrialisation.

Supreme Court's Contribution to Wage Policy

K. S. V. MENON

IN THE determination of wages, government, employers and workers have got specific and distinct roles in every industrial society. They may all have a common interest in increasing the total quantity of goods and services produced, from which wages, profits and revenues are obtained. Yet controversies may often arise. It is here that the industrial law and adjudication step in for a judicious discussion and disposal of the controversies involved. In this endeavour, the Supreme Court of India has built up over the years a good deal of case laws on different aspects of wages and wage structure.

English Common Law still regards the wage bargain as contract between an individual employer and an individual worker. The general policy of the law has been and is to leave to the two contracting parties a general liberty of bargaining, so long as there are no terms against public policy. In India as well as in England and other democratic countries great inroads have been made on this view of the common law by labour welfare legislation, such as the Minimum Wages Act and the Industrial Disputes Act. With the emergence of the concept of welfare state, collective bargaining between trade unions and capital has come into its own. The state is no longer content to play the part of a passive onlooker in an industrial dispute.

The old principle of the absolute freedom of contract and the doctrine of *laissez faire* have yielded place to new principles of social welfare and common good. Labour naturally looks upon the constitution of wage structure as affording a bulwark against the dangers of depreciation, safeguard against unfair methods of competition between employers and guarantee of wages necessary for the minimum requirements of employees. There can be no doubt that in fixing wage structure in different industries, industrial adjudication attempts, gradually and by stages though it may be, to attain the principal objective of a welfare state to secure to "all citizens justice, social and economic." For the attainment of this ideal, the Indian Constitution has given a place of pride and that is the basis of new guiding principles of social welfare and common good.[1]

The advent of the doctrine of a welfare state is based on notions of progressive social philosophy which have rendered the old doctrine of *laissez faire* obsolete. In the nineteenth century, the relations between employers and employees were usually governed by the economic principles of supply and demand, and the employers thought that they were entitled to hire labour on their terms and to discuss the same at their choice, subject to the specific terms of contract between them.

The theory of "hire and fire" as well as the theory of "supply and demand" which were allowed free scope under the doctrine of *laissez faire* no longer holds the field. In constructing a wage structure, in a given case, industrial adjudication takes into account, to some extent, consideration of right and wrong, propriety and impropriety, fairness and unfairness. As the social conscience of the general community becomes more alive and active, as the welfare policy of the state takes a more dynamic form, as the national economy progresses from stage to stage, and as under the growing strength of trade union movement, collective bargaining enters the field, the wage structure ceases to be purely an arithmetical problem.

Financial Considerations

Considerations of the financial position of the employer and the state of the national economy have their say, and the requirements of a workman living in a civilized and progressive society also come to be recognized. It is in that sense, and no doubt to a limited extent, that the social philosophy of the age supplied the background for the decision of industrial disputes as to wage structure. As Mrs Barbara Wootton has pointed out, the social and ethical implications of the arithmetic and the economics of wages cannot be ignored in the present age. The framing of wage structure has, thus, a wider angle.[2]

Though social and economic justice is the ultimate ideal of industrial adjudication, its immediate objective in an industrial dispute as to the wage structure such as would do justice to the interests of both labour and capital, would establish harmony between them and lead to their genuine and wholehearted co-operation in the task of production. It is obvious that co-operation between capital and labour would lead to more production and that would naturally help national economy and progress. In achieving this immediate objective, industrial adjudication takes into account several principles such as, for instance, the principles of comparable wages, productivity of the trade or industry, cost of living and the ability of the industry to pay. The application of these relevant principles leads to the constitution of different categories of wage structure.[3]

In dealing with wage structure, it is usual to divide wages into three broad

*This article is mainly based on the author's book *Foundation of Wage Policy* just published by M/S Tripathi Ltd, Bombay.

1. Crown Aluminium.
2. Standard Vacuum.
3. Crown Aluminium.

categories: the basic minimum wage is the bare subsistence wage; above it is the fair wage, and beyond the fair wage is the living wage. The concepts of these wages cannot be described in definite words, because their contents are elastic and they are bound to vary from time to time and from country to country. Sometimes the said three categories of wages are described as the poverty level, the subsistence level and the comfort or the decency level. It would be difficult and also inexpedient to attempt the task of giving an adequate precision to these concepts. What is a subsistence wage in one country may appear to be much below the subsistence level in another. The same is true about a fair wage and a living wage: what is a fair wage in one country may be treated as a living wage in another.

Fine Distinction

There is a distinction between a basic wage and a minimum wage. The basic wage is expressed as the minimum for skilled and semi-skilled workers, piece-workers and casual workers. The minimum wage is the lowest wage at which members may legally be employed. Another distinction is between a bare subsistence or minimum wage and a statutory minimum wage. The former is a wage which would be sufficient to cover the bare physical needs of a worker and his family, that is, a rate which has got to be paid to the worker irrespective of the capacity of the industry to pay. The statutory minimum wage is the minimum wage providing for some measure of education, medical requirements and amenities.[4]

In our march towards a truly fair wage in the first instance and ultimately the living wage, we must first achieve the need-based minimum (as formulated at the 15th Indian Labour Conference in 1957). The difficulty in accepting the need-based formula, however, is very real. The minimum wage so fixed would be above *per capita* income in our country and it is not possible to arrive at a constant figure in terms of money.[5]

The concept of a living wage is not a static one; it is expanding and the number of constituents and their respective contents are bound to expand and widen with the development and growth of the national economy. That is why it would be impossible to attempt the task of determining the extent of the requirement of the said concept in the context of today in terms of rupees and paise. It would be inexpedient and unwise to make an effort to concretise the said concept in monetary terms with any degree of definiteness or precision. In an underdeveloped country it would be idle to describe any wage structure as containing the ideal of the living wage.[6]

Although it is desirable to fix a wage structure which would give the workmen generally a living wage, economic considerations make that only a dream for the future, That is why industrial tribunals in this country generally confine their horizon to the target of fixing a fair wage. But there, again, the economic considerations make that only a dream for the future. For these reasons, the need for considering the problem of an industry-cum-region basis and of giving careful consideration to the ability of the industry to pay have been emphasised.[7]

The fixation of wage structure is among the most difficult tasks that industrial adjudication has to tackle. On the one hand, not only the demands of social justice but also the claims of the national economy require that attempts should be made to secure for workers a fair share of the national income which they help to produce. On the other hand, care has to be taken that the attempt at a fair distribution does not tend to dry up the source of the national income itself. On the one hand, better living conditions for workmen that can only be possible by giving them a living wage will tend to increase the nation's wealth. On the other hand, unreasonable inroads on the profits of the capitalists might have a tendency to drive capital away from fruitful employment and even to affect prejudicially capital formation itself. The rise in prices that often results from the rise in workmen's wages may in its turn affect other members of the community and may even affect prejudicially the living conditions of the workmen themselves.

Complex Factors

The effect of such a rise in prices on the country's international trade cannot also be always ignored. The numerous complex factors, some of which are economic and some spring from social philosophy, give rise to conflicting considerations that have to be borne in mind. Nor does the process of valuation of the numerous factors remain static. International movements in the case of labour have for many years influenced thinking and sometimes even judicial thinking in such matters. In this country, the emergence of an independent democratic idea has influenced the matter even more profoundly.[8]

The wage structure in India has for a long time been composed of two items: (a) the basic wage, and (b) a dearness allowance which is altered to neutralise, if not entirely, at least the greater part of the increased cost of living. This does not solve the problem of real wage. At the same time, too sharp an upward movement of basic wage is likely to affect the cost of production and lead to fall in exports and rise in prices all round. There is a vicious circle which can be broken by increased production and not by increasing wages. What we need is the introduction of production bonus, increased fringe benefits, free medical, educational and insurance facilities. Capital must also be prepared to forgo a part of its return. There is much to be said for considering the need-based formula in all its implications, for it is bound to be our first step towards living wage. As in many other matters relating to industrial disputes the problem may, perhaps, be best tackled by agreement between capital and labour in an establishment where a beginning can be safely made in this direction.[9]

Consolidated Wage

When the government seeks to evolve a wage structure for workmen, it would not knowingly do anything which would have the effect of removing incentives to production. Such removal would harm labour by preventing workmen from earning more by extra efforts, harm capital by diminishing the return, and therefore, harm the country as a whole at a time when higher production is the crying need of every branch of industry. An interpretation which would impute to the government such an unthinkable intention to harm all concerned cannot be lightly accepted; but that would be the necessary result of 'consolidated wages' in the definition of basic wages interpreted to include even an incentive wage like bonus related to production.[10]

Broadly, the principles which should be borne in mind in framing a wage structure are: (1) that in the fixation of rates of wages, which includes within its compass the fixation of scales of wages, also the capacity of industry to pay is one of the essential circumstances to be taken into account except in cases of bare subsistence or minimum wage where the employer is bound to pay the same irrespective of such capacity; (2) that the capacity of the industry to pay is to be considered on an industry-cum-region basis after taking a fair cross-section of industry; and (3) that the proper measure for gauging the capacity to pay should take into account (i) the elasticity of demand for

4. Indian Express Newspapers.
5. Reserve Bank of India.
6. Standard Vacuum.
7. Hindustan Times
8. Hindustan Times.
9. Reserve Bank of India.
10. Muir Mills.

the product, (ii) the possibility of tightening up the organisation so that the industry could pay higher wages without difficulty, and (iii) the possibility of increase in the efficiency of the lowest-paid workers resulting in increase in production considered in conjunction with the elsaticity of demand for the product. In short, the burden of the increased rate should not be such as to drive the employer out of business.[11]

By and large, it has now been settled that the basis of fixation of wages and dearness allowance is industry-cum-region. Where there is a large number of industrial concerns of the same kind in the same region, it would be proper to put great emphasis on the industry part of the industry-cum-region principle. It would put all concerns on more or less the same footing in the matter of production costs and, therefore, in the matter of competition in the market. In applying the industry-cum-region formula for fixing wage-scales, the tribunals should lay stress on the industry part of the formula if there is a large number of concerns in the same region carrying on the same industry. In such a case, in order that production costs may not be unequal and there may be equal competition, wages should generally be fixed on the basis of the comparable concerns, namely, industries of the same kind. But where the number of industries of the same kind in a particular region is small it is the region part of the industry-cum-region formula which assumes importance, particularly in the case of clerical and subordinate staff, for there is not much of difference in the work of this class of employees.[12]

Unequal Competition

It should, however, be added that even in the same line of business, it would not be proper to compare, for example, a small struggling concern with a flourishing concern. Where there is a large disparity between the two concerns in the same line of business it would not be safe to fix the same wage structure as in large concerns without any further consideration. The question whether there is a large disparity between the concerns is, however, always a question of fact and it is not necessary for the purpose of comparison that the two concerns must be exactly equal in all respects.

All that the tribunal would like to see is that the disparity is not so large as to make the comparison unreal. It would not be safe to compare a comparatively small concern with a large concern in the same line of business and impose a wage structure prevailing in the large concern as a rule of thumb without considering the standing, the extent of labour force, the extent of business and the extent of profits made by the two concerns and the extent of profits made by them over a number of years. If such rates of wages are fixed in a particular concern, which are much higher than the prevailing rates of wages in concerns of similar standing in the same industry, it will be put at a disadvantage when it comes to competing in the market for similar products.[13]

Though in a case where a particular concern is already paying the highest wages in its own line of business, the industrial court usually takes into account wages paid in that region in other lines of business. However, it takes care to see that the concerns from other lines of business taken into account are such as are as nearly similar as possible to the line of business carried on by the concern before it. The industrial court also takes care to see that such concerns are not so disproportionately large as to afford no proper basis for comparison.

Facts Worth Consideration

In considering the question about comparable concerns, the following facts are generally borne in mind. The extent of the business carried on by the concerns, the capital invested by them, the profits made by them, the nature of business carried on by them, their standing, the strength of their labour force, the presence or absence and the extent of reserves, the dividends declared by them, and the prospects about the future of their business — these and all other relevant facts have to be borne in mind.[14]

In dealing with the comparable character of industrial undertakings, industrial adjudication does not usually rely on oral evidence alone. This question is considered in the light of material facts and circumstances which are generally proved by documentary evidence. What is the total capital invested by the concern, what is the extent of its business, what is the order of the profits made by the concern, what are the dividends paid, how many employees are employed by the concern, what is its standing in the industry to which it belongs — these and other matters have to be examined by industrial adjudication in determining the question as to whether one concern is comparable with another in the matter of fixing wages.[15]

In trying to recognise and give effect to the demand for a fair wage, including payment of dearness allowance to provide for adequate neutralisation against the ever increasing rise in the cost of living, industrial adjudication always takes into account the problem of the additional burden which such wage structure would impose upon the employer and asks itself whether the employer can reasonably be called upon to bear the burden. The problem of constructing a wage-structure must be tackled on the basis that such wage structure should not be changed from time to time. It is a long-range plan; and so, in dealing with this problem, the financial position of the employer must be carefully examined; what was the progress of the industry in question; what are the prospects of the industry in future; has the industry been making profits; what is the nature of the demand which the industry expects to secure; what would be the extent of the burden and its gradual increase which the employer may have to face? These and similar other considerations are carefully weighed before a wage structure can be reasonably constructed by industrial adjudication.

A Broad View

Unusual profits made by the industry for a single year as a result of adventitious circumstances, or unusual loss incurred by it for similar reasons, should not be allowed to play a major role in the calculations which industrial adjudication would make in regard to the construction of wage structure. A broad and overall view of the financial position of the employer must be taken into account and attempts should always be made to reconcile the natural and just claims of the employees for a fair and higher wage with the capacity of the employer to pay it; and in determining such capacity, allowance must be made for a legitimate desire of the employer to make a reasonable profit. In this connection, it may also be permissible to take into account the extent of the rise in price structure which may result from the fixation of a wage structure and the reasonableness of the additional burden which may thereby be imposed upon the consumer.

Industrial adjudication should not lean too heavily on single-purpose statements or adopt any of the tests evolved from such statements, whilst it is attempting the task of deciding the financial capacity of the employer in the context of the wage problem. No doubt the position must be examined in detail, but the decisions should be based on a broad view which emerges from a consideration of all the relevant factors.[16]

The fact that the directors of a parti-

11. Indian Express Newspapers.
12. Greaves Cotton.
13. French Motor Co.
14. Williamsons.
15. Balmer Lawrie.
16. Ahmedabad Millowners' Association.

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cular small company are also the directors of bigger and prosperous concerns is not relevant and material in considering the financial position of the former. When industrial adjudication refers to an establishment as a part of a larger organisation, it generally means that the establishment is a part of a larger organisation carrying on the same or similar industry and that the establishment concerned is an integral part of the said organisation. A concern of which some of the directors happen to be the directors of prosperous concerns, is not and cannot be integrally concerned with the prosperous concerns. If it is so, it is unreasonable to treat that as a factor in considering its financial position.[17]

Revision is Possible

It would not be correct to say that under no circumstances can the wage structure be revised to the prejudice of the workmen. Even theoretically, no wage structure, however, can or should be revised to the prejudice of the workmen if the structure in question falls in the category of the bare subsistence or the minimum wage. If the wage structure in question falls in a higher category, then it would be open to the employer to claim its revision even to the prejudice of the workmen provided a case for such revision is made out on merits to the satisfaction of the tribunal. In dealing with a claim for such a revision, the tribunal has to consider whether the employers' financial difficulties could not be adequately met by retrenchment in personnel effected by the employer and sanctioned by the tribunal. The tribunal would enquire whether the financial difficulties facing the employer would be for a fairly long time. After considering all the relevant facts, if the tribunal is satisfied that a case for reduction in the wage structure has been established, it would be open to the tribunal to accede to the request of the employer to make appropriate reduction in the wage structure, subject to such conditions as to time or otherwise that the tribunal may deem fit or expedient to impose.

The tribunal should keep in mind some important practical considerations. Substantial reduction in the wage structure is likely to lead to discontent among workmen and may result in disharmony between the employer and his employees; and that would never be for the benefit of the industry as a whole. On the other hand, in assessing the value or importance of possible discontent amongst workmen resulting from the reduction of wages, the industry is burdened with a wage structure beyond its financial capacity, its very existence may be in jeopardy and that would ultimately lead to unemployment. It is, thus, clear that in all such cases all relevant considerations have to be made in each case to reach a conclusion which would be reasonable on merits and would be fair and just to both the parties.[18]

At times a fair wage structure is constructed by industrial adjudication and, in course of time, experience shows that the employer cannot bear the burden of such wage structure, on the ground that enough time has not passed after the making of the award, or the material change in relevant circumstances had not been proved. It is, of course, not possible to lay down any hard and fast rules in the matter. The question as to revision must be examined on the merits in each individual case that is brought before an adjudicator for adjudication.[19]

Generally, adjustments are granted when scales of wages are fixed for the first time, but there is nothing in law to prevent the industrial tribunal from granting adjustments of the employees in the revised wage scales even in a case where previously pay-scales were in existence; but this is done sparingly, taking into consideration the facts and circumstances of each case. The usual reason for granting adjustments even where wage scales were formerly in existence is that the increments provided in the former wage scales were particularly low, and, therefore, justice requires that adjustments should be granted a second time. In a case where a comparatively generous rate of increments was in force previously, there is no justification to grant adjustments. In such a case, the usual direction would be to step up the employee in the new scale where his present pay does not fit in the new scale.[20]

Fixing Minimum

When in an industry divergent wages are being paid and there is considerable difference between the top wage and the lowest wage, it is very difficult to standardise these wages and therefore the first thing to be done is to fix a minimum wage which is generally somewhat between the top and the bottom; but where wages in a particular occupation are not very divergent and are more or less uniform, that is the time and the stage when a tribunal may well standardise these wages, because in standardising them, although it may result in some workers being paid less industrial adjudication can, and in a proper case should, revise the wage structure, though such revision may result in reduction in the content of the workmen's wage-packet; but like all major problems associated with industrial adjudication, the decision of this problem must also be based on the major consideration that the conflicting claims of labour and capital must be harmonised on a reasonable basis; and so, if it appears that the employer cannot really bear the burden of the increasing wage bill, industrial adjudication, on principle, cannot refuse to examine the employer's case and should not hesitate to give him relief if it is satisfied that if such relief is not given, the employer may have to close down his business. It is unlikely that such a situation would frequently arise; but, on principle, if such a situation arises, a claim by the employer for the reduction of the wage-structure cannot be rejected summarily.[21]

Technical Considerations

While dealing with the question about the revision of wage-scales, it is necessary to remember that the technical considerations of *res judicata* should not be allowed to hamper the discretion of industrial adjudication. It is undoubtedly true that a wage-structure is contracted as a matter of long-term policy, and so, industrial adjudication would naturally be reluctant to interfere with the wage-stucture without justification or in a light-hearted manner. When a wage-structure is framed, all relevant factors are taken into account and normally it should remain in operation for a fairly long period; but it would be unreasonable to introduce considerations of *res judicata* as such, because for various reasons which constitute the special characteristics of industrial adjudication the said technical consideration would be inadmissible.

If the paying capacity of the employer increases or the cost of living shows an upward trend, or there are other anomalies, mistakes or errors in the award fixing wage-structure in comparable industries in the region, industrial employees would be justified in rejecting it the loss to them would not be considerable and if it is in the interests of labour that all workers should be paid the same wages who are doing the same work, then the standardisation would result in benefit to the cause of labour.

It would not be against the basic principles of standardisation to protect the wages of individual workmen who might be getting more than the wages fixed in the standardisation scheme at the time when such a scheme is brought into force. It will be for the tribunal to

17. Filmistan.
18. Crown Aluminium.
19. Balmer Lawrie.
20. French Motor Car Co.
21. Ahmedabad Millowners' Association.

see whether or not it will protect the individual worker. If it gives no direction for protection to individual workmen, they will not be protected and their wages will have to be lowered in case they are higher than those fixed in the standardisation scheme.

In such a scheme, three conditions will always have to be borne in mind. In the first place, there can be no further raising of the wages of those protected workmen by the management after the standardisation comes into force; for any such further rise will be against the principle of standardisation. In the second place, if a scheme fixed incremental scales of wages and if the protected workman is getting a wage which is between the minimum and maximum and he is not entitled in accordance with the length of his service to that wage but something less in the grade, the extra amount that he may be getting will have to be absorbed in future increments till he is properly fitted in the incremental scale according to the length of service. Thirdly, when any workman's service comes to an end for any reason whatsoever, no other employee, whether new or old, would be entitled to claim the pay which the outgoing employee was getting on the ground that a vacancy with that higher pay had arisen. Subject to these three conditions, it may be open to a tribunal to protect the wages of individual workman even though they may be getting higher wages than those fixed in a standardisation scheme at the time when the scheme was introduced.

Personal Pay

The proper way of giving protection, if the tribunal thinks that justice demands that individuals who are getting higher wages than those fixed under a standardisation scheme, is that the difference, if any, between their wages and the standardised wages should be paid to them as personal pay, so long as they are in service. As soon as such an individual goes out of service, another coming in his place will not be entitled to the personal pay the outgoing workman was getting, and will be fixed in the standardised scheme.[22]

It cannot, however, be disputed that when a standardisation scheme comes into force it is an integrated whole and may sometimes result in some categories of workmen getting less than what they were getting before. The whole purpose of a standardisation scheme is to raise them to the standardised level. Similarly where the wages are high they have to be reduced to fit them in the standardised scheme.[23]

The character of the employer or the destination of profits has no relevance in the fixation of wages. Whoever may be the employer, he has to pay a reasonable wage to the employees once the principle of region-cum-industry is accepted, and all the employees of similar nature, irrespective of the character of the employers, will get a fair deal, without any discrimination; which will certainly be conducive to the industrial development of our economy. The same principle evolved by the industrial adjudication in regard to private sector undertakings will govern those in the public sector undertakings having a distinct corporate existence.[24]

Arbitrary Interference

Sub-rule (4) of Rule 126-AA of the Defence of India Rules, 1962, lays down thus: The central government or the state governments may by order regulate the wages or other conditions of service of persons or of any class of persons engaged in any employment or class of employment to which this rule applied. It was, however, held that an *ad hoc* fixation of wages on purely subjective considerations may override all adjudications and statutory fixation of wages under the Minimum Wages Act could result in arbitrary interference in a contract between employer and employee. The exercise of this power should be analogous to other similar powers under various legislations. Government could do so, even in an emergency, after industry by industry consultation and appreciation of view-points of persons affected.[25]

Fixation of the rates of dearness allowance is always a delicate operation and when the tribunal, after a fair consideration of the available material, fixes the rates at reasonable levels, these should not be distrubed except on clear proof of error or unfairness.[26] In matters of the grant of DA, except to the very lowest class of manual labourers whose income is just sufficient to keep body and soul together, it is impolite and unwise to neutralise the entire rise in the cost of living by DA, more so in the case of the middle class.[27]

If the scheme about the payment of dearness allowance allows for increase in the dearness allowance consequent on the increase in the cost of living index, that would be one factor in favour of allowing the scheme to operate for a fairly long period. But it would be idle to suggest that because a provision is made for the adjustments of the dearness allowance consequent upon an increase in the cost of living index, the scheme of dearness allowance can never be altered. It is quite conceivable that if the cost of living shows a tendency to rise very high, the workmen would be entitled to claim that there should be a change in the rates of dearness allowance basically fixed in order to allow them more neutralisation, and such demand cannot be rejected without examining its merits solely on the ground that because a provision is made for adjustment from time to time, the scheme ought to remain in force for all time and cannot be re-opened or re-examined.[28]

The Supreme Court feels that time has now come when employees getting the same wages should get the same dearness allowance irrespective of whether they are working as clerks or members of subordinate staff or factory workmen. The pressure of high prices is the same on these various kinds of employees. Further subordinate staff and factory workmen, these days, are as keen to educate their children as clerical staff and in the circumstances there should be no difference in the amount of dearness allowance between employees of different kinds getting the same wages. Also, an employee, whether he is of one kind or another, getting the same wage hopes same amenities of life and there is no reason why he should not get them, simply because he is, for example, a factory workman though he may be coming from the same class of people as a member of clerical staff.[29]

Ascertaining Facts

It must, however, be remembered that, just as the wage structure with scales of increments cannot reasonably be constructed unless the financial position of the industry is properly ascertained, and the result of the impact of the wage-structure in future is judged, so also adequate dearness allowance provision cannot be made unless the said facts are ascertained.[30]

The above analysis shows that the Supreme Court has played an important role in giving a meaningful and constructive interpretation to different aspects of wage policy in general and to the evolution of a scientific and rational wage structure in particular. Guidelines and basic principles laid down by the highest judicial body in the land have exerted — and will continue to exert — a profound influence on the question of wages.

22. Birla Cotton.
23. Birla Cotton.
24. Hindustan Antibiotics.
25. State of Assam *vs.* Bharat Kala Bhandar.
26. Phalton Sugar.
27. Calcutta Tramways.
28. Remington Rand.
29. Greaves Cotton.
30. Williamsons.

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U.S. HITS AT E.E.C. FARM POLICY

LONDON:

THE SECOND major element in the current US-EEC trade dialogue is the common agricultural policy, which has been attacked from Washington since its inception as unfair, protectionist and anti-American.

In the statistical warfare over this, the global figures supplied by the Americans undoubtedly bear out their claim that the Six are eating each other's foodstuffs, and producing more themselves at the expense of American exports. Thus farm trade from the US to the Community fell from $1,564 million in 1966 (the record year) to $1,269 million in 1969.

On the other hand, as the table shows, the situation varies greatly from product to product. American feed-grains continue to do well, and as the Community's defenders pointed out during the "chicken war", they cannot both buy the food to feed their own livestock, and buy the livestock as well.

Main Skirmish

The main skirmishing recently has been over soyabeans. After oil has been extracted, the cake left is a protein-rich feedstuff for livestock, and imports of this into the Community have been rocketing. It enters duty-free through a breach in the Six's tariff wall, for most vegetable fats and oils, which many farmers hold to be not unrelated to the effectiveness of the Unilever lobby. Seeing the flood of oil-cake as a threat to the internal balance of the agricultural market (farmers are using the cake instead of clover and other Community-produced feedstuffs), and seeing US vegetable oil exports rising at the expense of the developing countries, the European Commission tried hard to get a tax imposed on soya imports. One version of it would have been a deliberately discriminatory duty hitting American exports but not those of the less developed countries. The results, it is held in Brussels, were some clear indications from Washington that this would meet with immediate trade retaliation. The balance of deterrence was working.

The more general American criticisms about the common agricultural policy continue unrelentingly to be levelled.

The Community, with double the number of farms (6,000,000 against 3,000,000), and three times the American farm labour force on only one-seventh as much land, is producing half as much as the USA. The levy system keeps out any imports that would effectively undercut the Six's inefficient farmers; and the surpluses which the efficient ones are stimulated into producing by the artificially high prices are then "dumped" on the world market. The Community is accused of encroaching on traditional American markets for wheat in Taiwan, lard in the UK and feed-grains in Japan.

Binding Agreement

In Brussels, however, they will not soon forget what happened to agriculture in the closing stages of the Kennedy Round. The Six had proposed, at the suggestion of the EEC Commission, a system which would involve "binding" each partner's level of self-sufficiency for each product. Any measure that resulted in higher output — and thus in world market surpluses — would be a breach of the agreement and would have made retaliation possible.

The US delegation refused such a scheme — which also involved world agreements and fixed world prices — no doubt because Congress would not have swallowed it. Yet had the Community been obliged to accept the discipline that it was then proposing, it might well have kept the current surplus situation from becoming so serious.

Meanwhile, there are fewer signs of a possible flare-up over agricultural trade than over specific issues in industrial trade.

The next crucial moment is likely to be when the Six and the candidates come to consider, as they did in 1962, the implications for world trade of their creating what will be by far the world's biggest trading unit. Using their weight together, they will be in a position to influence very strongly the shape and content of any future world agreements on agricultural trade.

II

U. S. RESENTMENT

The third and last major aspect of current trans-Atlantic trade relations is more overtly political.

It arises from the way that the Community — almost always in response to outside requests rather then of its own volition — has been building up its network of trade agreements, both non-preferential and preferential. The US sees many of these as directly discriminatory, and not falling under the escape clause of Article XXIV of GATT, because they are not definitely leading on to the creation of areas of full free trade within a specific time.

The list is indeed impressive, especially for a Community that has totally failed to work out any positive or coherent outside policy of its own. It includes the seventeen African states (plus Malagasy and the Dutch Antilles), the three East-African countries (Kenya, Uganda, Tanzania) and practically all the countries round the Mediterranean.

U.S. AGRICULTURAL EXPORTS TO E.E.C.

($ million)

	1965	1966	1967	1968	1969
Variable-levy commodities					
Feed grain ..	471.7	476.4	373.6	336.5	224.9
Corn	341.1	340.2	303.3	313.4	219.0
Barley	29.0	35.4	20.6	4.7	..
Oats	15.0	18.3	4.2	1.7	..
Rice	10.1	18.8	25.7	27.8	31.0
Rye	1.4	4.4	4.3	1.4	0.4
Beef & veal ..	1.5	0.6	0.6	0.5	0.4
Dairy products ..	30.4	1.2	1.2	1.2	0.9
Poultry & eggs ..	30.7	23.6	18.5	14.3	12.9
Non-variable-levy commodities					
Oilseeds & products	383.3	464.7	477.4	488.8	499.5
of which: soyabean ..	102.2	140.5	152.3	167.9	182.6
Total (incl. other agricultural products) .	1,476.4	1,564.2	1,460.0	1,367.3	1,268.6

Source: US Bureau of Census and USDA.

Beyond looms the prospect of "enlargement", bringing in any case the UK, Denmark, Ireland and Norway inside, and perhaps Sweden also. But currently it is the links with the Community's neighbours to the south that are causing US resentment. The early months of 1970 have seen the presentation in GATT of the partial association agreements concluded with Morocco and Tunisia, the conclusion of trade agreements with Israel, Spain and Yugoslavia, and the opening of exploratory talks with the United Arab Republic and the Lebanon.

Strict Rules

GATT rules on trade preference are strict. Preferences not extended to all partners enjoying most-favoured-nation treatment are only authorised in the framework of a firm commitment, with a time-table, for moving on to a full free trade area (the case with EFTA) or a customs union, with a common external tariff (as with the EEC). The Community's earlier Mediterranean area ties conformed to this: the associations with Greece and Turkey, both provided with timetables for the move to free trade, and the trade reductions open to all exporters, though granted on products carefully chosen and defined so as to benefit essentially the partner to the agreement.

But the Tunisian and the Moroccan agreements are preferential over a considerable range of goods, with the vaguest promise of a future move to a full association.

The case of Spain is even clearer: it is known that Dutch agreement to a trade pact depended on there being no further move until the Spanish regime becomes more democratic. But such an unlikely political conditions at least in the short run—makes a mockery of the presentation of the current agreement as a step to full trade.

American reactions, and those of other GATT countries, are not so much dictated by the prospect of immediate trade disadvantage. The Spanish concessions on industrial trade were chosen so as not to harm US exports, and the effect of any advantage to Community exporters on the north African markets can barely be more than minimal for US trade. The US protest is, in the first place, against the immunity with which the Six have been able to flout the rules of GATT.

To this the Brussels answer is that from its inception until very recently and not least through the powerful role played by former Executive-Secretary Wyndham White, GATT was in practice an Anglo-Saxon club, in which the US, the UK and the white Commonwealth countries decided what they wanted, and played the rules to fit it. Now the trade power pattern has shifted, as was already reflected in the membership of the inner circle of key negotiators in the Kennedy Round—the USA, the UK, the EEC, the Scandinavians and Japan.

With the exception of the Scandinavians, whose link-up on a single platform was limited to those talks, the other four now constitute the "bridge club" that meets in the executive-secretary's office to fight out any disputed and effectively determine what GATT will do. In this political context, it is clear that the USA is not in a position to do much about the Community's growing series of Mediterranean area obligations — which incidentally are becoming an ever more complex system, each with different and often competing trade concessions, decided upon and administered under independent treaties and with no effective co-ordination.

III

THE E.E.C.'s REAL THREAT

But underlying the prickliness of the Americans and others is a realisation that the EEC, which today is just a network of unsolicited and commercially limited agreements, could in the future develop into a zone of major economic and thus political influence.

A Community with four or five more members, all from the north and all relatively prosperous, will be better placed to offer far more in terms of both markets and economic aid to its poorer southern neighbours.

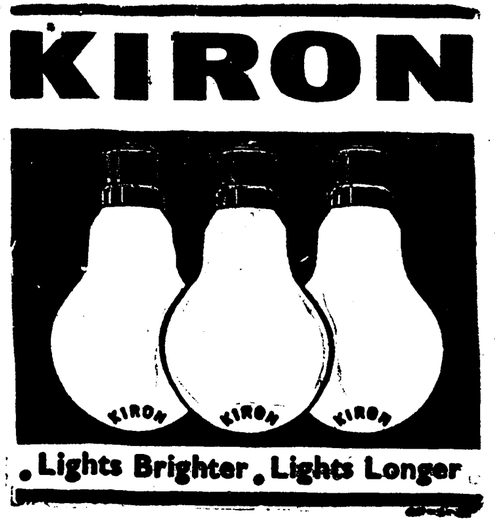
A Europe which was moving even cautiously towards a common political presence would see the Mediterranean area as the most obvious testing-ground. The idea of a Marshall-Plan type of approach to the Middle East problem, offering economic aid on a large scale on condition there was co-operation in using it between the Arab states and Israel, may seem like pipe-dreaming, but it has gone the rounds.

U.S. Attitude

Meanwhile, awareness of these prospects is of course only one element in determining US attitudes to Community enlargement, with those concerned at the prospect of a super-powerful trading partner and competitor balanced by those who maintain the traditional US line of welcoming any move towards European political unification.

Less linked with enlargement prospects is the clash of views between the EEC and the US over the various plans for promoting the exports of less developed countries.

The USA was dissatisfied at the maintenance, in the renewed Yaounde Convention signed last summer between the Community and its eighteen mainly African partners, of "reverse pre-



ferences." These give the exports of the Community advantages over those of the USA and others on the markets of the associates. The American view was that it could not reasonably be expected to take active steps to favour countries which were positively discriminating against it.

The steps in question were those agreed in principle at the UN World Trade Conference (UNCTAD): "reverse preferences" of another kind, discriminating against the products of other industrialised countries in order to help the developing countries. This would cover industrial and semi-manufactured goods (Chapters 25-99 of the Brussels Nomenclature). While both the Community and the USA now accept the principle they differ on its application, and on guarantees against excessive imports. The USA wants quotas (on petroleum, textiles and shoes) and a safeguard clause allowing duties to be reimposed. The Community favours simply a ceiling, set at twice the present level of EEC imports of any given products: if the ceiling were reached and a tariff reimposed, it would have to be reconsidered at the end of the year. For the moment, the whole dispute remains theoretical, but it reflects once again the tense, competitive nature of ECC-US relations at the present time.

Sources and Acknowledgements: This is the second of four articles reporting in depth on the profound changes taking place in the EEC. The first appeared last week. These articles summarise, by special arrangement, an exclusive report in the May issue of *European Trends*, published quarterly to subscribers only by the "Economist" Intelligence Unit, 27 St. James's Place, London, SW1., but the EIU is responsible neither for the emphasis of my summary nor for my comments based on a variety of sources.

Next week's article will report on the prospects of monetary integration in the EEC.

Worsening Terms of Aid

H. R. VOHRA

WASHINGTON :

THE OVERALL terms of aid, let us face it, are worsening despite the improvement in the terms of some of the donors. This is also the conclusion of Charles R. Frank of Princeton University who has made a study of the subject.

The importance of the study lies in the basic fear that the heavy but necessary borrowing by less developed countries (LDCs) is putting a great strain on their resources. It may reach crisis proportions if the current trends continue.

Breaking Point

The breaking point would be reached when the return flow of foreign exchange in repayment of loans exceeds the gross lending by the rich countries; (RCs). If this is permitted to happen the development achieved in the past 25 years would grind to a halt.

Some idea of the magnitude of the problem can be had from these figures: The medium and long-term external debt of 91 LDCs increased at an actual rate of 14 per cent between 1960 and 1968. Their debt service payments (including interest and amortization) rose at about 15.7 per cent per annum between 1956 and 1967.

The World Bank has calculated that the total amount of medium and long-term debt outstanding for LDCs stood at $45 billion in 1967. Their debt service payments reached $4.00 billion. These figures are exclusive of those private debt obligations uncovered by government guarantees and short-term IMF loans. The secretariat of the UNCTAD thinks that repayment of these two categories of loan could additionally amount to two billion dollars per year.

Debt Servicing

The debt service payments of the LDCs threatens to grow in the coming years as the grace period for loans ends and because the average terms of new loans has become harder.

There has been much general concern at the worsening burden of aid. The DAC discussions beginning in 1964 on this very subject culminated in this recommendation: 70 per cent or more of the aid should be in the form of grants and alternatively, 82 per cent of aid should be in grants or loans with repayment periods of 25 years or more. There was to be a weighted average grace period of 6.4 years.

In 1969 the recommendation was changed in the interest of simplicity. The new criteria were to provide at least 85 per cent of the official development assistance in such a way that each transaction had a grant element of 61 per cent. Otherwie, a donor was to ensure that 85 per cent of the assistance had a grant element of 85 per cent.

Despite all these urgings, supplemented by the backonings of the UN and UNCTAD in favour of softening loans, the trend has continued to follow the opposite course. This has been due to a variety of reasons, the most important being the change in the quality of US loans which still form a large proportion of the total flow of capital from RCs to LDCs.

The terms of US development lending has become progressively less liberal. Between 1958 and 1961, total lending was two billion dollars. No less than 80 per cent of it was repayable in local currency. The Foreign Assistance Act of 1961 made a radical change. Most development loans became repayable in dollars.

Grace Period Rates

Since then interest rates have also risen. In 1961 the grace period interest rate as well as the interest rate to maturity was as low as 3/4 per cent. In 1968 the grace period interest rate was raised to 2 per cent and the maturity rate to 3 per cent. Likewise, the terms of PL 480 have hardened. The down payments for sales have increased besides the local currency cost of food. Since 1967, loan proceeds of PL 480 have been converted gradually from local currency repayments to dollar repayments. By the next year, all sales will be in dollars.

The cost of aid has also increased through the expanded lending of Export-Import Bank. Between 1962-63 and 1967-68, its share of lending rose from 7.5 per cent to about 23.4 per cent and and it is all on commercial basis. Its interest rate lately has been 6 per cent. It was 5 ½ per cent in 1964.

These changes have reduced the proportion of US net grants from 81 per cent in 1961 to 59 per cent in 1967. Since then the proportion has further declined.

The terms of other bilateral donors have somewhat softened since 1964. Four countries, Canada, Denmark, the UK and Sweden, now give interest free loans. Their sacrifice, however, has been offset by the increasing importance of the relatively hard lenders in the general flow of capital. W. Germany, Japan, Austria and Italy have doubled their share of gross bilateral assistance from 11 per cent to 19 per cent. There is also the costly tendency to tie aid to donor countries, following the US example.

In the spiralling cost, multilateral agencies fare no better. The World Bank terms are hard and are getting harder. This is to be attributed to the growing tightening of the world money markets. The World Bank lending rate rose from 4 per cent in 1963 to 7.75 per cent in December 1967. Rates on loans by the European Investment Bank and the Asian Development Bank follow the same pattern.

Their share of lending has also risen. Thus between 1960 and 1967, disbursements by multilateral agencies rose from $354 million to $810 million which is about 10 per cent of the total of gross official flows. The proportion will soon increase further as World Bank's planned lending grows.

Until recently, loans by multilateral agencies were free. This rule too is being breached. Recently, US subscriptions to IDA, World Bank's soft loan affiliate, has been tied to procurement from the US. Private capital which accounts for more than one-third of total net flows of capital from developed to developing countries comes in short-term export credits on an increasing scale as against direct investments and long-term commitments. And these are on even harder terms than official credits.

Rising Rates

The World Bank has worked out that average interest rates on officially guaranteed loans are about 6 per cent and on non-guaranteed loans about 8 per cent. And both are rising. The combined affect of all these changes, up and down, has brought about a significant hardening of the terms of foreign assistance.

This being the case, Mr Charles Frank, through a variety of projections and indicators, makes the overall assessment that debt servicing difficulties are "likely to be quite severe over the next decade or so." He assumes that many of the factors which caused debt-servicing problems in the past will continue to operate in the future.

There are two possible mitigating circumstances. First, a number of aid recepients may come to be serviced by consortia of aid-giving countries and they, as in the case of India, would take into account the debt service burden factor when setting aid levels. Secondly, they may try to foresee the coming burden and adopt their aid giving policies to a predictable situation.

None of these developments is a certainty. The situation can, in fact, worsen.

"On balance," concludes Mr Frank, "the prospects for serious debt servicing difficulties implicit in the analysis here err on the side of underplaying the dangers and difficulties ahead." He thinks that there will be many rescheduling of debts. Most aid receiving countries will find it difficult to solve their debts service problems with temporary measures. They will be in the same boat as India, Turkey and Indonesia whose rescheduling, incidentally was backed by the World Bank. They also used the IMF standby credits.

The debt service deferment in the last decade has amounted to about $3 billion. The countries which have sought and obtained this form of assistance include Argentina, Turkey, Brazil, Chile, Ghana, Peru and India. The shortness of the moratoriums probably shows reluctance to change in established formulae and also, probably, a donor's preference for repeated rescheduling" to maintain control of a debtor country's economic policies.

A rescheduling is no permanent solution. What then is to be done? A lasting solution would seem to involve greater aid of softer loans and this can only happen by a massive infusion of funds into the soft loan agencies.

The second solution which suggests itself is an interest subsidy scheme. A government could raise funds for aid in the open money market and then use government funds to subsidize the interest rate. This method has the advantage that it requires smaller amounts of budgetary funds to soften the aid than direct loans.

The proposal is not very different from a suggestion made at UNCTAD I. The proposal assumed that IDA funds would be raised by bond issues which would be lent to LDCs at one per cent interest. The differential between the price of borrowing and lending was to be made good by the donor countries through budgetary contributions.

One way to assure such a subsidy would be for donors to pledge a portion of their interest receipts on bilateral loans to an interest equalization fund within IDA.

RECORDS AND STATISTICS

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The moving finger writes

THE RULING Congress party missed a fine opportunity to establish a healthy convention when its local leaders failed to react constructively to objections raised to the holding of a public meeting at Chandni Chowk on June 22. The fact that this meeting was addressed by the Prime Minister, who was expected to (and who did) mount an attack on organisations held by her to be guilty of promoting communalism, imparted, no doubt, a controversial character to those objections, but this did not detract from the essential truth that the holding of mass meetings in crowded residential and shopping localities was not in the public interest. Even normally, such areas should not be subjected to such needless strain. Now, when political tempers are running high, there is always a risk of such meetings being marred by incidents which could very well develop into a serious threat to law and order and even result in the destruction of life or property due to mob violence or police action. Had the organisers agreed to shift the venue to a more suitable place of which there is no shortage in the capital, it would have become possible for a convention to be promoted among political parties to the effect that public meetings were not to be held by them in crowded residential or shopping areas. Such an understanding would have been a distinct gain for the people's peace.

As it is, the public meeting addressed by the Prime Minister in Chandni Chowk was followed within a week by another public meeting—held this time in Connaught Place—which was addressed by Mr Balraj Madhok, the Jan Sangh leader, who was on his way to the police station to surrender himself to a bailable warrant issued against him for having made sometime ago a speech alleged to be of a nature calculated to incite communal hatred. Subsequent to this, an order under Section 144 of the Cr. P.C., was promulgated banning public meetings, shouting of slogans, processions or demonstrations in the Connaught Place area.

* *

It is possible to dispute the wisdom of the order passed by the District Magistrate, Delhi (under Section 144 of the Cr.P.C.) prohibiting the holding of physical drill in public places, even if one is in full sympathy with the objective of curbing activities of communal organisations, which is stated to be the purpose of this ban. In a country where no organised military training is imparted to the people and where Defence has been entrusted to a professional army, it is a matter of some importance to national security that ordinary men and women should have access to physical training facilities at least up to the point of effective self-defence. Training facilities of this kind provided on an official or semi-official basis are not only inadequate but are also limited to small sections of people such as school or college students.

Military developments in recent years have shown that it is the people as a whole who must make itself responsible for national security, whether against internal subversion or against foreign aggression. He would indeed be a rash man who would assert that our country and our people could be complacent about possibilities of such threats to national existence. In the circumstances a blanket ban on group activities relating to physical training of the civilian population might dangerously emasculate the nation and leave it defenceless and helpless against enemies, whether internal or external. It is one thing to identify in law organisations which could be convicted of indulging in objectionable activities of a military or para-military nature and then impose legal restrictions on them and another thing to prevent civilians as such from organising group activities in the form of physical drill in public places. The prohibition, it is true, relates only to the use of public places for the purpose mentioned, but is it such a good idea to compel physical training activities to be organized and carried out in a cloak-and-dagger atmosphere rather than in full view of the public?

* *

The Life Insurance Corporation has put up its interest charges on certain categories of its loans and otherwise stiffened its lending terms. The nationalised banks have been directed by the Reserve Bank to put up their rates on advances. Even the central government cannot possibly plead that these decisions represent any logical attempt to rationalise the price of money in a capital-short economy. Such a contention would be untrue on the face of it, given the basic directions of the government's policies in dispensing bank credit or employing LIC funds. What is actually happening is that expenditures are going up both in the LIC and the banking system partly because the authorities find it politically difficult, if not politically advantageous to give in to employees' demands for higher wages. The nationalised banks and the LIC have recently made themselves parties to wage settlements which are calculated to make nonsense of the economic working of these institutions. These increases in emoluments are not justified by any business criteria and, moreover, are not only not linked to productivity, but are completely unrelated to any realistic expectations of improved efficiency of the staff. The Government of India has always been following the line of least resistance in dealing with wage claims of its employees whether in its secretariat or in its commercial establishments. This process is inevitably being extended to nationalised undertakings. Thus new vested interests are being created, even as brave slogans are raised in favour of the abolition of all vested interests.

* *

The World Bank has so far made eight loans to the Industrial Credit and Investment Corporation of India Limited (ICICI) and the total funds thus obtained by the latter amount nearly to $ 200 million over a period of 15 years. As against this, ICICI has sanctioned financial assistance which is the equivalent of $ 360 million in all as at the end of 1969. These disbursements have benefited 794 projects sponsored by 536 client enterprises. A substantial proportion, that is more than 25 per cent of these projects, are new enterprises. ICICI's provision of productive industrial capital to the priority areas of our industry is spread over chemicals and chemical products, ferrous metal products, machinery manufactured and electrical equipment. A particularly attractive feature of ICICI credit is that it includes a valuable element of foreign exchange and it is worth noting that, in the year 1969, foreign currency lending amounted to over half of the total of about $ 44 million equivalent committed by the corporation to industrial firms.

V.B.

Trade Winds

U.S. LOAN

AN AGREEMENT providing for a United States loan of $160 million (Rs 120 crores) to finance a wide range of requirements of Indian industry and agriculture was concluded recently. The range of commodities eligible for financing in the latest loan is broader than in the recent past. This should provide greater flexibility in the use of the loan. The loan provides financing for the import of fertilizers; pesticides; raw materials for the chemical, pharmaceutical, engineering, and other industries and spare parts for industrial equipment. Also included are spare parts and components for diesel locomotives, which are now manufactured in India in large numbers. Other items of interest are copper, aluminium, steel, newsprint, petroleum additives and commercial refrigerant components. In view of the current shortage of edible oils, provision has been made for the import of tallow required by the soap industry. This is the twelfth non-project loan extended by the US Agency for International Development to India since 1962. This loan brings the total of USAID development loans authorized for India during the current US fiscal year to $195 million (Rs 146.25 crores).

DELEGATION FROM ZAMBIA

The three-member delegation from Zambia led by H. E. Mr Mulemba, Minister of Trade and Industry of the Zambian Republic, held discussions in New Delhi recently with the Ministry of Foreign Trade. At the meetings the two ministers are understood to have expressed identical views in regard to the prospects of increased trade exchanges between their countries and the immense scope for setting up joint ventures in Zambia. Mr Mulemba is understood to have indicated that his country was now pursuing actively the policy of diversification of imports with a view to lessening their dependence on South Africa and Rhodesia. In this context, he felt that there was considerable scope for his country importing from India a variety of manufactured goods.

PAPER MAKERS MEET

The Indian Paper Makers Association's Seminar on Requirements for Expansion was held recently in New Delhi. Mr T. Swaminathan, Secretary, Ministry of Industrial Development, speaking on the occasion stated that the demand for paper was growing exponentially and the industry should gear itself for its expansion. Summing up the proceedings of the Seminar, Mr R. K. Seth, Chairman of the IPMA, recommended that an adequate rate of return should be 16 per cent which is the same as recommended by the Tariff Commission in 1959, modified to incorporate the enhanced interest rates. The role of the small units was to be a positive one and the seminar recommended setting up of a giant pulp complex in either the joint or the public sector.

INDO-SUDAN TRADE

Trade talks between Sudan and this country were concluded recently with an exchange of letters, which envisage an increase of 12½ per cent in the trade between the two countries for the next year—July 1970 to June 1971.

The letters were exchanged between H. E. Sayed Osman Abdalla Medani, Permanent Under Secretary, Ministry of Economy and Foreign Trade and leader of the Sudanese delegation and Mr L. N. Rangarajan, Director, Ministry of Foreign Trade and leader of the Indian delegation, on behalf of their respective governments. The total trade between the two countries during the next year is projected at a level of Rs 60.66 crores as compared to Rs 54.00 crores during the current year. This country will export to Sudan tea, jute goods, cotton textiles, lentils, spices and essential oils, engineering and transport equipment, chemicals and plastics, and other non-traditional items and will import cotton and gum arabic from Sudan. The quantity of long staple cotton proposed to be imported during the next trade plan year would be a little over two lakh bales. The trade plan envisages, for the first time, import of raw hides and skins, from Sudan. The two delegations have also agreed to promote co-operation in improving shipping between the two countries. They have also agreed that close co-operation should be established between the State Trading Corporation of India and the newly created State Trading Corporation of Sudan. In another set of letters exchanged today the two countries have agreed to promote India's participation in develpopment projects in Sudan.

VANASPATI PRICES RAISED

Prices of vanaspati have been increased by 50 paise per kg. in all zones from June 23, 1970. The revised prices have been notified by the government under Vegetable Oil Products Control Order, 1947.

The maximum retail prices of vanaspati in the different pack sizes and when sold loose, exclusive of sales tax and other local taxes is as under:

Zone	16.5 Kgs.	4.0 Kgs.	2.0 Kgs.	Loose per kg.
North	96.65	25.27	13.14	5.86
South	96.40	25.21	13.11	5.84
East	97.04	25.37	13.13	5.88
West	97.11	25.38	13.19	5.89

SUPPORT PRICES FOR CEREALS

The union government has accepted the recommendations of the Agricultural Prices Commission in regard to the minimum support prices for Kharif cereals for 1970-71 season. (*i*) Minimum support price for standard variety of paddy will be Rs 46 per quintal. The minimum support price for other varieties will be fixed by state governments in consultation with the central government after taking into account the qualitative differentials. (ii) Minimum support prices for jowar, bajra, maize and ragi will be Rs 45 per quintal. The government will make effective arrangements for the purchase of these grains at the minimum support prices.

TV SET MANUFACTURE

The union government has decided to invite applications from prospective manufacturers of TV sets to meet future requirements. TV stations are proposed to be opened in Bombay, Poona, Calcutta, Madras, Lucknow, Kanpur and Srinagar during the fourth Plan period. At present only one TV station is functioning, in Delhi. Two firms in the organised sector, JK Television and Telerad, have been licensed for capacity of 10,000 TV sets each per annum. Another two consortia of small-scale firms have also been allowed to take up manufacture of 5,000 sets each. Prospective manufacturers of TV sets are required to apply before August 15 to the Department of Industrial Development (Central Licensing Policy Section) and to Development Commissioner of Small Scale Industries, with a copy to Secretary, Department of Defence Supplies.

FIRE FIGHTING HOSES

The government has had under consideration for some time the question of creating additional capacity for the manufacture of fire fighting hoses, namely, R.R.L. hoses, un-lined flax hoses and controlled percolation hoses. It has now been decided that it would be necessary to licence additional capacity so as to cater to the demand that is likely to develop by 1973-74. Applications in the prescribed form from entrepreneurs intending to enter into the field of manufacturing fire fighting hoses, mentioned above, have been invited so as to reach at the Ministry of Industrial Development by July 15, 1970.

SUGAR PRODUCTION

The all-India final estimate of sugar production for the crushing season 1969-70 for the sugar produced directly from sugarcane in vacuum pan factories is placed at around 4.3 million tonnes as against an actual production of 3.56 million tonnes during 1968-69 (October-September). This shows that the production of sugar during 1969-70 is likely to increase by about 740,000 tonnes or by 20.8 per cent over the actual production during the previous season.

CORPORATE SECTOR's WORKING

The government has set up a Research Programme Committee in the Department of Company Affairs, to advise the Ministry of Industrial Development, Internal Trade & Company Affairs on matters connected with economic policies bearing on industrial development, with particular reference to the operation of the corporate sector in the country. The committee will, among other things, assist in conducting suitable re-research studies in the Department of Company Affairs and in the preparation of research studies to be taken up either in the department or by the members themselves. The committee will be headed by the Secretary, Department of Company Affairs, Mr R. Prasad, and will have 13 other members. It will have a term of two years and its headquarters will be in New Delhi.

BOMBAY AIRPORT FOR JUMBOS

A sum of Rs 4 crores has been sanctioned for various works at Bombay airport to equip it for the operational requirements of Air India's Boeing 747, Jumbo jets and provide necessary facilities at the terminal for clearance of the passengers and their baggage. The works will be completed by March 1971, when Air India receives its first Jumbo jet. The international airlines were also expected to operate their Jumbos through Bombay at about the same time.

ORAL PILLS

The union government has replaced the oral pill containing 100 mcgs of Oestrogen with the one containing only 50 mcgs. which is safer. Authentic medical reports indicated that women using the new pill have two or three times less chances of blood clotting. Though the incidence of the thrombophelebitis was extremely rare and the Indian women were even less susceptible to it than their western counterparts, the government decided to take necessary precaution.

FOREIGN TRADE

Exports from this country including re-exports totalled Rs 127.97 crores in April 1970. Imports during the same month were of the order of Rs 142.59 crores, leaving an adverse trade balance of Rs 14.62 crores.

W. GERMAN PATENTS

In 1969, the West German expenditure on patents, inventions, processes and copyrights bought from other countries reached an all-time peak at DM 1,132 million. The patents, licences and inventions (ignoring the copyright payments) cost the Federal Republic of Germany DM 1,006 million; its recepits under the same heads were DM 406 million. It follows that West Germany paid DM 620 million (net) to other countries in respect of these facilities. Nearly half of this sum was paid to the USA.

CARBIDE CRUCIBLES

The Government of India has recently reviewed the position relating to the facilities currently available in this country for the manufacture of graphite crucibles and silicon carbide crucibles with special reference to the increasing requirements of such crucibles, particularly of sizes larger than 100 kg. (in terms of melting capacity for brass) and all diverse shapes, the substantial foreign exchange expenditure incurred at present on their imports, the availability and adequacy of indigenous technical know-how and technology for their manufacture and other relative factors and has come to the conclusion that it would be necessary to augment the indigenous potential, as expeditiously as possible, through establishment of further capacity and introduction of improved know-how. Foreign technical collaboration in this field may be required. It is proposed to encourage the setting up of additional capacity to the extent of about 3,000 tonnes per annum in this connection, having regard to the likely increase in demand for crucibles in the immediate future.

Interested entrepreneurs including existing producers of graphite and silicon carbide crucibles as well as those whose applications have been rejected earlier by the government may now submit their applications to the Department of Industrial Development in the Ministry of Industrial Development, Internal Trade and Company Affairs, New Delhi, so as to reach it by July 31, 1970, at the latest, with complete particulars regarding the proposed plant capacity, location, capital, cost, cost of plant and equipment (imported and indigenous), source of import of plant and equipment, foreign exchange expenditure on account of imported raw materials and spare parts, if any, and terms of foreign collaboration, time schedule of manufacturing programme, etc. Applications for the manufacture of crucibles of sizes larger than 100 kg. (in terms of melting capacity for brass) and all diverse shape only will be entertained.

The manufacture of these crucibles does not attract the provisions of the Industries (Development and Regulation) Act, etc. The department has advised the applicants to furnish the details of their proposals according to the proforma prescribed for the consideration of proposals for overseas collaboration.

SAVINGS CERTIFICATES

The Government of India decided to issue, with effect from March 16, 1970, new series of savings certificates known as Seven-Year National Savings Certificates (II Issue), Seven-Year National Savings Certificates (III Issue) and Seven-Year National Savings Certificates (IV Issue). According to a press note, the new certificates are under print and are likely to be made available at post offices in about two months. In the meantime, preliminary receipts are being issued by the post offices in respect of applications made for the purchase of these new series of savings certificates. The receipts may exchanged with the certificates later on.

PYRITE MINING

A five-man team, led by Mr K. S. Ramachandran, Joint Secretary, Department of Mines & Metals, is visiting Europe from June 17, 1970, to July 31, 1970, to study pyrite mines, beneficiation plants and sulphuric acid plants there. The purpose of the visit is to make available the experience gained in other countries in the exploitation of sulphur pyrites ore, mining technique and in the manufacture of sulphuric acid as well as in the ore dressing to our engineers and technicians.

The first pyrite mine in India is being operated at Amjhore in Bihar and the first pyrite-based acid plant has been set up at Sindri. There are plans to increase mining activity for production of pyrite ore from Amjhore and from the recently discovered large deposits of pyrite ore in Rajasthan. There is a proposal for setting up a fertilizer complex in Rajasthan based on indigenous pyrites.

Company Affairs

LARSEN AND TOUBRO

THE DIRECTORS of Larsen and Toubro Ltd propose to maintain the equity dividend of 10 per cent for the year ended March 31, 1970, on increased capital. On account of new manufacturing facilities which now yield profit, 9.46 per cent of the dividend is likely to be tax-free in the hands of the shareholders.

The company has recorded during 1969-70 gross profit of Rs 1.81 crores. After providing Rs 56.10 lakhs for depreciation, Rs 33 lakhs for development rebate reserve and Rs 23 lakhs for taxation and after adding Rs 11.81 lakhs as surplus provision of previous year no longer required, the total amount disposable has gone up from Rs 69.67 lakhs to Rs 81.29 lakhs. Sales during the year were of the order of Rs 23.36 crores excluding contracting. A rise in turnover and profits is expected for 1970-71 on account of heavy order bookings during recent months. The rise may, however, be tempered by the continued shortage of essential raw materials. The backlog of orders as on May 31, 1970, stood at Rs 21 crores, the highest in the company's history.

CENTURY

A bright future of the Century Spinning and Manufacturing Co. would be assured, if its projects for cement and pulp were implemented at an early date and provided no unreasonable controls were imposed in respect of rayon and tyre cord yarn. This was stated by Mr R. D. Birla, chairman of the company, in his speech read out by Mr S. K. Birla who presided recently over the annual general meeting in the absence of the chairman. Mr S. K. Birla mentioned that sales of rayon division during the first five months of the current year were better than in the corresponding period last year. Referring to various development schemes which the company has undertaken, Mr Birla indicated that considerable progress had been made in connection with the Rs 14-crore cement project as the industry is delicensed, but applications for licences in connection with other projects were still pending with the government. About the one-for-one bonus issue which the directors had recommended, no sanction from the Controller of Capital Issues has so far been received. The textile division has considerably improved its pattern of production. It is now manufacturing more sophisticated varieties of cloth with 100 per cent cotton. These varieties were very well received in the market.

MAHINDRA UGINE STEEL

Mr Harish Mahindra, Chairman, Mahindra Ugine Steel Co. Ltd, revealed at the annual general meeting held recently that the year 1969 marked the first complete year of integrated operation of the plant when 20,000 tons of finished steel was produced. Sales during the first five months of the current year have increased by 42 per cent over the corresponding period of the previous year. An important development has been the increased proportion of alloy steel in the product-mix of the company. Mr Mahindra pointed out that the company has initiated a market survey for assessing the existing and potential demand for tool and alloy steel in terms of categories, grades etc. This would improve the pattern of expansion of the company and would help in its increased profitability.

Mr Mahindra suggested that the export of melting scrap should be banned immediately even if it would mean a marginal loss of foreign exchange earnings. He stated that scrap is an important industrial raw material which is transformed into valuable finished products. There has been positive disincentive for the local scrap dealers to service the requirement of indigenous industries. He added that there also have been news for the establishment of new arc furnances coupled with continuous casting plants which are likely to generate fresh demand for melting scrap. This will cause further deterioration in the supply of melting scrap. He, therefore, suggested that the possibility of producing substitutes of scrap should also be initiated for equiping scrap yards with such equipment so that the scrap generated within the country could be fully harnessed for prduction of steel in Electric furnaces.

TRAVANCORE RAYONS

Mr A. R. Ramanathan, Chairman, Travancore Rayons Ltd, stated at the annual general meeting held recently that the company recorded a considerable success during 1969 when its net profit amounted to Rs 73 lakhs after providing for depreciation, bonus to employees and gratuity. He indicated that equity dividend at the rate of 15 per cent has been proposed. He pointed out that the production of rayon yarn and cellulose increased substantially in spite of delay in the arrival of imported pulp and chemicals. The supply position of cotton linter has, however, become difficult and the prices have been increasing and it has become uneconomical to use this raw material, he added. In view of the fact that cotton crop this year has been comparatively poor, the supply of cotton linter is likely to remain unsatisfactory.

Mr Ramanathan pointed out that cellulose film machine of the company has been ready for commissioning since October, 1969, but had to remain idle for want of co-operation from the labour. Now that an agreement has been reached with labour and the new machine has been started, the working results of the company from the current year are likely to improve considerably. The pulp plant expansion and the moisture-proof plant modification for producing new and improved variety of coated film are expected to be completed by the third quarter of this year. The chairman added that some new projects and diversification schemes to balance the possible decline in profits in other areas are also proposed so that continuous progress and buoyancy is ensured for the company. Mr Ramanathan pointed out that in March, 1971, the company will have completed 25 years of useful service and the Silver Jubilee is likely to be celebrated in a suitable manner for which necessary steps are being taken.

PHALTAN SUGAR

Phaltan Sugar's crushing during the current season was a record at 248,000 tonnes of sugar cane producing 258,816 bags of sugar with a recovery of 10.39 per cent. This compares favourably with a crushing of 201,000 tonnes of sugar cane producing 230,000 bags of sugar with a recovery of 11.43 per cent in the last season. Because of uncertain prospects of the sugar industry, the company has commenced a diversification programme. The company has already taken over Havero Industries Ltd which is engaged in the manufacture of dry cell batteries, as a 100 per cent subsidiary of the company. It has a capacity to produce 12 million cells. The plant can go up to 25 million cells. It is proposed to expand the capacity further to 60 million cells. The country's demand for dry cell batteries is estimated at 600 million which is expected to go up to 1,000 million in the next five years. The outlook for this division is considered bright. The company is also going to set up a joint venture for cane cultivation of 20,000 acres in Malaysia. The company has been appointed by the state government of Negri Sembilan, Malaysia, to prepare a project report on sugar production and sugar cane plantation. On the acceptance of this report the company will further discuss the possibilities of a joint venture. This might mean an investment of Rs 50 lakhs by way of plant and equipment. As against this the company hopes to earn by way of consultancy services Rs 30 to 40 lakhs.

CUREWELL

Curewell (India) Ltd will enter the capital market on July 19, 1970, with an issue of Rs 16.03 lakhs made up of 70,250 equity shares of Rs 10 each and 9,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par (free of company's tax but subject to deduction of taxes at source at the prescribed rates). The issue will close on July 16, 1970, or earlier at the discretion of the directors but not before July 9, 1970. The company has an authorised capital of Rs 50 lakhs and issue subscribed and paid-up capital of Rs 20.48 lakhs. The entire issue has been underwritten. The company has entered into an agreement for technical and financial collaboration with M/s Technoexport, Sofia, Bulgaria. The company has been given right to manufacture in this country specialised products, such as Gamma Globulin and Albumen and other by-products from human placenta. The plant is to be located at Faridabad near Delhi at a cost of nearly Rs 72 lakhs.

CHEMICALS AND FIBRES

The working of Chemicals and Fibres of India Ltd for the half year ended March 31, 1970, was encouraging. The company's sales were substantially higher at Rs 17.34 crores as against Rs 9.42 crores in the same period last year. With the addition of sundry income amounting to one lakh rupees the total income amounted to Rs 17.35 crores. For the full year ended September 30, 1969, the company's sales were of the order of Rs 25.05 crores and total income Rs 25.05 crores. The estimated profit before taxation during the half year amounted to Rs 178 lakhs against Rs 158 lakhs in the same period last year and Rs 355 lakhs during the full year ended September 1969. The estimated provision for taxation was Rs 94 lakhs and Rs 154 lakhs for the full year ended September 30, 1969. The estimated profit after tax for the half year was Rs 84 lakhs as against Rs 201 lakhs for the full year ended September 30, 1969. The directors attribute the increased sales partly to increaseed volume and mainly to the substantial increase in the excise duty imposed in the 1969 union budget. The increased provision for taxation results from the expiry of tax concessions applicable to the original manufacturing plant for "Terene." The company's application for a two-for-five bonus issue is still pending with the Controller of Capital Issues. As the consent is expected shortly the declaration of an interim dividend has been deferred. The proposed bonus issue will qualify for dividend for the year ended September 30, 1970.

FERRO ALLOYS

Ferro Alloys Corporation Ltd the leading manufacturer of ferro-manganese and pioneer in large scale ferro-chrome production in this country earned a gross profit of Rs 42.82 lakhs in 1969 against Rs 14.42 lakhs in the preceding year. In addition there was an excess of income over expenditure relating to the previous year amounting to Rs 1.14 lakhs during the year. The company has provided Rs 45.58 lakhs for depreciation and Rs 70.61 lakhs for development rebate for both the plants. Consequently, the working results for 1969 shows a loss of Rs 72.23 lakhs. Total reserves and surplus now stand at Rs 204.39 lakhs, including general reserves of Rs 66.50 lakhs. On account of initial teething troubles, the ferro-chrome plant has operated at 30 per cent of its production capacity. Production of ferro-manganese has been normal and satisfactory. The total turnover in 1969 was Rs 521.42 lakhs as against Rs 319.02 lakhs in 1968; exports accounted for Rs 250.37 lakhs. The company has started exports of its ferro-chrome products also and sales are expected to increase further in the current year.

VICTORIA MILLS

Mr Madanmohan Mangaldas, Chairman of the Victoria Mills Ltd, told the shareholders at the annual general meeting of the company in Bombay that despite the rising costs of raw materials, wages etc. the company's performance in the first six months had been satisfactory. Sales up to the end of May amounted to Rs 1.92 crores against Rs 1.81 crores in the same period last year. Barring unforeseen circumstances the company hoped to do better than last year. The target of sales for the current year is Rs 4.5 crores. The company also hopes to maintain the dividend for the current year. The company is going ahead with the programme of modernisation and rationalistion.

CAPITAL AND BONUS ISSUES

Consent has been accorded to seven companies to raise capital of over Rs 3.09 crores. Five of them are to issue bonus shares totalling over Rs 1.44 crores and the amount of bonus shares ranges between Rs 35,000 and Rs 99,60,210. The consents are valid for twelve months. The following are the details :

Teksons Private Ltd, Bombay, has been granted consent to capitalise Rs 6.4 lakhs out of its general reserves and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of one bonus share for every five equity shares held.

The Marketing Research Corporation of India Ltd, New Delhi, has been given consent to capitalise Rs 35,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Britannia Biscuits Co. Ltd, Bombay, has been given consent to capitalise Rs 99,60,210 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

Pharmpak Private Ltd, Bombay, has been accorded consent to captialise Rs 60,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

Standard Pharmaceuticals Ltd, Calcutta, has been given consent to capitalise Rs 38,39,630 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one share for every equity share of Rs 10 each and one share for every deferred share of Re one each.

The Indian Manufacturing Co. Ltd, Bombay, (changed to Hindoostan Spg. & Wvg. Mills Ltd) has been accorded consent to issue further capital of Rs 88.80 lakhs divided into 30,720 equity shares of Rs 250 each and 4,800 seven per cent redeemable cumulative preference shares of Rs 250 each to be issued at par, in terms of the scheme of amalgamation approved by the High Court of Judicature, Bombay on March 13, 1970.

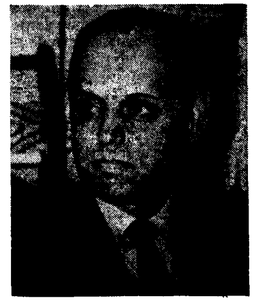
Bagalkot Cement Co. Ltd, Bombay, has communicated to government of its proposal to issue capital of Rs 75 lakhs, under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 7,500 first mortgage debentures of Rs 1000 each carrying interest at 7.3/7.4 per cent per annum, to be pledged with banks/financial institutions as security for loans to be advanced by them. The debentures shall be payable to registered holders only and the proceeds of the issue are to be utilised for financing expansion of the company's cement works at Bagalkot.

COMPANY MEETINGS

INDO-BURMA PETROLEUM RECORDS HIGHEST SALES

Chairman's Speech

Following is the text of a speech delivered by Shri Kamaljit Singh, Chairman Indo-Burma Petroleum Company Ltd., at the 62nd Annual General Meeting held in Calcutta on 23rd June, 1970.



Shri Kamaljit Singh

Gentlemen,

I have great pleasure in addressing you for the first time today.

The Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st December, 1969 have been in your hands for some time and, with your permission, I shall take them as read.

Profits before Taxation, inclusive of brought forward balance and nett transfers to and from reserves, amount to Rs 33,87,376 as against Rs 38,55,041 in 1968 (and Rs 37,90,130 in 1967). However, your Company had larger operating profits during 1969 than in the previous two years; but unlike in 1967 when Rs 5 lacs was trasferred from the Dividend Equalisation Reserve and unlike in 1968 when a large amount of Unclaimed Dividends was forfeited, large transfers were not made this year, and the dividend is proposed only out of the current year's profits. It is for this reason that your Directors have recommended a reduction in the dividend for 1969 to 12½% as against 15% in the previous years. As the year's earnings have been higher, there is also hope of improving our results further.

I am glad to inform you that the Company registered its highest ever sales in India in 1969, thanks mainly to the additional product availability from the Indian Oil Corporation Ltd. You are already aware that the Indian Oil Corporation Ltd acquired a majority share-holding in your Company on the 12th January 1970 from Steel Brothers, who ceased to be the Company's Managing Agents from the same date. This association with Indian Oil Corporation, the leading petroleum marketing company in the country, should be of great benefit to your Company and I look forward to the future with hope and confidence.

We have already taken measures to review and revise our arrangements with our suppliers to ensure your Company's future growth. I am glad to say that your Company's sales of petroleum products in the period January/May 1970 have recorded a 30% increase over the corresponding period of the previous year. Steps are under way to launch an ambitious programme to expand our retail outlet network, to renovate and remodel the existing outlets, to train our staff and dealers in the latest techniques, and thus lay the foundation for the future growth of your Company.

We also look forward to an increase in the activities of our Electronics Manufacturing Division which had doubled its turnover in 1969 over 1968. We have also initiated measures to improve its contribution towards profitability.

The return on your Company's surplus funds has been low. As an interim measure arrangements have been made to improve this return by 2½% by advancing a loan at a higher rate of interest than hitherto earned, and we are exploring avenues of obtaining still better returns in the future. The income from investments however continues to be low, and there seems to be no hope in the near future of a return on our investments in the Shama Pistons & Rings Ltd, Shama Forge Co Ltd, and Assam Sillimanite Ltd. Balmer Lawrie declared a dividend of 8% for 1968, an Industrial Credit and Investment Corporation of India maintained its dividend at 9 per cent.

I regret that there has been no progress in regard to the realisation of your Company's assets in East Pakistan and Burma.

The Government of India have introduced a new pricing basis for petroleum products from 1st June 1970 based on the recommendations of the Shantilal Shah Committee Report. This will mean somewhat reduced margins in the marketing of petroleum products but we hope to overcome the reduction in profitability on this account by increased sales.

Your Company has entered into a new era which is full of opportunities, but it will require hard work and effort by your employees and dealers. I have no doubt that this will be forthcoming in full measure as it has been during the past year, for which I would like to place on record the Board's and, I am sure, your own sincere appreciation of one and all in your Company.

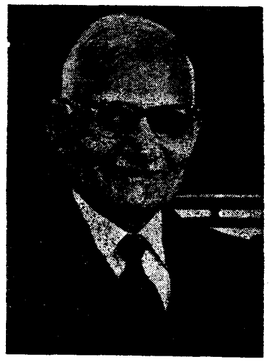
(This does not purport to be a record of the proceedings of the Annual General Meeting)

THE CENTURY SPINNING & MFG. CO. LTD.

Statement of the Chairman

Shri R. D. BIRLA

At the 73rd Annual General Meeting of the Company held on Friday, 26th June 1970



Shri R. D. Birla

Ladies and Gentlemen,

I extend to you all a cordial welcome to the 73rd Annual General Meeting of the Company. The report and accounts of the company have already been in your hands for some time and you know the results. I have nothing much to add thereto.

This, however, being the first Annual General Meeting of Shareholders since Messrs. Birla Gwalior Private Ltd., ceased to act as Managing Agents of the company I would like to recall the progress made by the company during the period the company was managed by them from 1-7-1959 to 30-6-1969 and prior to that by Messrs. Birla Brothers Private Ltd., from 1953 to 1959. You might be aware that the management of your company had changed in April 1951.

The following comparative table will give a rough picture of the progress made by the company since 1951:—

	Position for the year ending 31-12-51 (Rs. in lacs)	Position for the year ending 31-12-69 (Rs. in lacs)
1. Gross Profit	92.37	1251.13
2. Gross Block	224.05	3959.79
3. Sales	732.65	4838.72
4. Exports	..	180.82
5. Capital	109.43	504.88
6. Corporate taxes	33.00	450.00
7. Excise duties	60.80	809.32
8. Salary & Wages	158.03	809.48
9. Total amount of dividend	21.89	141.95
10. No. of Shareholders	1430	14693
11. Market value of share	Rs. 315	Rs. 700*
12. Dividend per share	Rs.20	Rs. 40
13. No. of employees	10077	20845
14. No. of spindles	109320	137044
15. No. of looms	2739	3074

*Equivalent to about Rs. 2610/- after adjustment of bonus and rights.

I would leave it to our worthy shareholders to find out from the above as to how much the erstwhile Managing Agents contributed to the progress of the company. It will not be out of place to mention that I have received several letters of appreciation from the shareholders of the company; many of them have personally conveyed to me their compliments for the performance of the erstwhile Managing Agents who greatly contributed to the progress made by the company. On behalf of the Board and the erstwhile Managing Agents of the company I express my sincere thanks to all such well-wishers and hope that the company will maintain its tempo of progress with the wise counsel of Shri G.D. Birla and Shri B.K. Birla who have graciously agreed, at the Board's request, to continue to give their valuable advice to the company in an honorary capacity.

It has also been noticed that the maintenance of dividend for the year under review at the same level as last year, inspite of higher profits, has been a matter of adverse comment by some share-holders as is observed from press reports and letters which the company has received from some shareholders. In this connection, I would like to say that this decision was taken by the Board after due consideration of all factors and particularly keeping in view the pending bonus issue. Further it may be apprecited that against a total distribution of Rs. 1,36,03,800 as dividend for 1968 it has been Rs. 1,41,95,280 for 1969. Moreover, maintenance of dividend at last year's level is, in my view, in the long-term interest of shareholders who are certainly bound to reap the fruits of this policy in future.

Turning to the subject of the quality of goods manufactured by the company, I am pleased to mention that the Textile Division has considerably improved its pattern of production. It is now manufacturing more sophisticated varieties of cloth which have been very well received in the market. It would interest you to know that the Textile unit is producing cloth with 100 per cent cotton, without mixing any synthetic or man-made fibres, and yet achieving the look and feel of woollen, terycot and raw silk materials. The quality of our Rayon and Tyrecord yarns also compares favourably with the quality of yarn manufactured by the more advanced countries of the world.

I would also like to mention that in consonance with the company's social and industrial obligations, a sum of Rs. 24 lacs has been paid to research institutions, about which reference has been made in the Directors' Report. One of these institutions is the Birla Institute of Technology and Science at Pilani. Many of you may not be aware of the history and activities of this institute and the contribution it has made to research. If a sizable number of shareholders were to express their willingness to visit this institution to see how well the moneys of the company are being utilised, the company will be prepared to arrange for such a visit. The best time to visit Pilani would be in December and the trip would take about a week.

I would also like to say a few words about the future prospects of the company. The future on the whole is bright, if our schemes for cement and pulp are implemented at an early date and provided no unreasonable controls are imposed in respect of Rayon and Tyrecord yarn. We hope that the Government will not take any step that will affect production as thereby exports, accrual of revenues to the Central Exchequer, employment and the tempo of expansion will all suffer a setback. The directors are trying their best to expedite the implementation of the various schemes. Subject to any unforeseen circumstances, we hope that the workers, staff and share holders who all are contributing in their respective

ways to the progress of the company will continue to share the "juicy" fruits produced by the company each year. If, however, cotton prices continue to rule high and shortage persists, the Textile Section might be slightly affected.

India's economy is improving, but the pace can be accelerated further if the law and order situation in the country normalises and there is industrial peace. Bengal is the worst affected in this respect. It is heartening to note that there are signs of the Central Government moving in the matter to remedy the situation; let us hope that things will begin to improve.

Production of food in the country has been steadily going up. Although this has not brought about any significant fall in prices, complaints about shortage of food are disappearing. It is hoped food production will progressively rise in future and imports of food will soon be dispensed with. Our Food Minister deserves to be complimented for this excellent performance.

Production of consumer goods in the country, however, is not enough to meet the growing demands of the people. We have plenty of resources in men and material which need to be fully harnessed. There are shortages in man-made fibres, cotton and oilseeds. All these three supply a large part of the vital needs of the people. It is, therefore, hoped that Government will take immediate steps to remove these shortages, if necessary by resorting to imports until indigenous production attains a level of self-sufficiency. At the same time, steps should be taken to foster the growth of indigenous production in these and other essential items. Chronic shortages and continuing high prices of daily needs have made people restless.

Controls offer no solution for rising prices. They only aggravate scarcities and create more hardships. It has been acknowledged by eminent economists of the world that larger production is the only remedy for shortages and high prices. In order to step up industrial production, there should be adequate supplies of the basic raw materials. The Government, as everyone knows, is already active in this matter. But there is an urgent need for the benefits of modern agricultural research and farm services to percolate to the level of the village farmer. Then alone will production of essential cash crops —which supply the basic raw material for industries and for the household needs of the people—go up.

Democratic socialism is the country's goal and ideal. This is a good objective. Democratic socialism means an equality of opportunity and a decent living standard for all. But how can this be accompalished? Not by slogans, but by sustained, coordinated efforts by the Government, private enterprise and the people in the direction of larger and ever larger production. We must enlarge the size of the national cake to make it go round to all the people. Let our motto therefore be work hard and produce more.

Our Prime Minister and the Minister for Industry know full well the value of production and are anxious to see rapid industrialisation in the country. Therefore, the climate for industries is generally good in all the States except in West Bengal. Small-scale industries are also now growing which are very useful as feeder and ancillary industries to large units and more so in the engineering sector. But unless such units are economically viable, they will not be able to produce goods efficiently or at competitive prices. While independently they cannot contribute much either to domestic production or to exports, yet they are most essential as feeder to large and heavy industries. Large and small-scale industries are thus interdependent. They do not necessarily compete but play their respective roles in assisting each other. It therefore follows that larger the growth of big industries greater the scope for small-scale industries. The Government must, therefore encourage both large and small-scale industries. This alone will ensure larger production in an efficient and economical manner leading to higher incomes, lower prices and better living standards for the masses in the country.

Sometimes we find that the Government does not take steps which, in our view, are considered necessary for economic progress. It is not that they do not know the facts or what is required to be done. Sometimes there may be compelling reasons which hold up their action. We should, therefore, refrain from blaming the Government for everything that goes wrong. In a democracy, mistakes do occur but time and circumstances always set them right.

Before concluding, I would like to extend my warm and sincere thanks to the workers, staff and officers of the company without whose active cooperation and devoted hard work, it would not have been possible for the company to achieve these results. I hope that the management will continue to receive their cooperation in the same measure in future as always in the past.

Thank you.

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

5¾ PER CENT MAHARASHTRA STATE DEVELOPMENT LOAN, 1982.

ISSUE PRICE RS. 100=00 FOR EVERY RS. 100=00.

OPEN ON WEDNESDAY, THE 15TH JULY 1970.

The loan will be closed as soon as the total amount of Rs. 19.25 crores has been subscribed and in any case not later than the close of business on the 21st July 1970.

The applications for the loan will be received at:—

(a) the offices of the Reserve Bank of India, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;

(b) the branch of the State Bank of Bikaner & Jaipur at Jaipur;

(c) the branches of the State Bank of Hyderabad conducting Government Treasury work within the State of Maharashtra;

(d) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (c).

Full particulars can be obtained at any of the offices mentioned above.

dvp/79/70

BOOKS BRIEFLY

Recession Analysed

Industrial Recession in India : M. R. Hazaray; S. Chand & Co., (1970); Pp 51; Price Rs 6.00.

Economic Development of Uttar Pradesh: Dr Kripa Shankar ; Arthik Anusandhan Kendra, Allahabad, (1970); Pp. 224; Price Rs 15.00.

Uttar Pradesh's Finances Since Independence : P. K. Bhargava ; Vora & Co. Publishers Private Ltd, Bombay; Pp. 193; Price Rs 12.00

Agricultural Economics and Co-operation: S. K. Srivastava, Divakar Jha, S. K. Agarwal, Jagdish Prakash & R. S. Kapuria; S. Chand & Co., (1970); Pp 763; Price Rs 20.00

Trade Unionism In Indian Ports : Michael V. d. Bogaert; Shri Ram Centre for Industrial Relations, New Delhi, (1970); Pp 196; Price Rs 25.00.

Human Problems In Indian Industries : Dr K.G. Desai; Sindhu Publications, Bombay; Pp 113; Price Rs 15.00

Reviewed by Prof. S. S. M. DESAI

Industrial recession in India during 1966-67 was very peculiar in the sense that on the one hand the inflationary trends had gone on unchecked while the decline was being recorded in practically all the branches of Indian economy. The theoretical knowledge which associated rising prices with rising production appeared to be inadequate to explain this phenomenon. In his pamphlet *Industrial Recession in India*, M. R. Hazaray has made an attempt to analyse this phenomenon for the common reader.

Main Points

As regards the causes of the recession there were three main points of view. First and foremost was the view that the recession must be traced back to two successive famine-like years in India which reduced the income of the agriculturists and their demand for various consumer and producer goods creating recessionary conditions. The second view point emphasised the general deficiency in investment and consumption demand as the sole reason of recession. The third view put the blame at the door of faulty perspective planning that is being carried on since 1951.

After 20 years of planned economic development India continues to be mainly an agricultural country and rural areas continue to provide the biggest market for many of our consumer and producer goods. The main reason for recession was, therefore, the widespread drought we had for successive years. The rise in food prices forced the consumers to divert a large percentage of their disposable income to purchase of food articles only which meant that the demand from rural areas for non-food articles declined. Decreased demand for consumer goods industries in turn reduced their investment programmes, which reduced demand for investment goods industries.

Deficiency of Investment

The Indian Chamber of Commerce, Calcutta, on the other hand has come to the conclusion that a general deficiency both in investment and consumption demand is responsible for the recent recession, drought being only a contributory factor. The main reason for steady decline in demand for industrial goods is the ever-increasing cost of production, due primarily to excise duties ranging between 30 to 300 per cent of the actual market price. At the same time a steep rise in personal income-tax during the last decade and other indirect taxes have diminished consumer's purchasing capacity.

Yet another explanation of the recent recession in India is that after hectically planned activities comes the recession perhaps as a result of subsidence of the first flush of enthusiasm. Inflation has dogged our economy almost as a concomitant of planned economic development. It is but natural that inflation ridden economy should be subject to recession some time or the other.

It is also admitted on all hands that in the course of planning, some imbalances in the productive capacity have been built up. There occurred overproduction in these industries for a long time which explains the underutilisation of the productive capacity for some time. This means that fall in demand in several industries, especially in engineering goods industries, must have merely aggravated the situation. A moment's reflection is enough to show that all these factors are not actually exclusive but together produced recessionary trends in the Indian economy.

Remedial Measures

The plausible causes of recession are themselves suggestive of remedial measures to be adopted to fight it out. Improvement in agriculture, selective credit liberalisation and improvement in planning techniques seem to be the remedies. Such a three-pronged attack on recession would require both short-term and long-term considerations, if the Indian economy is to be insulated against such 'inflationary recession' in future.

The bumper crop of 1968 and 1969 undoubtedly made a good start; but it should be remembered that a good harvest by itself would hardly ease the situation. Appropriate measures should be taken to make provision of adequate supplies of inputs to agriculture. The main cure for recession is a steady increase in general demand and this can come about only if agricultural output goes on steadily increasing.

While government is busy improving general economic situation, it is highly desirable that industrialists should also put their house in order. It cannot be gainsaid that during recent years most of our industries prospered in sheltered domestic markets. Now with slackening of domestic demand for their products, they must explore the possibilities of exports abroad by making efforts to reduce prices to internationally competitive levels and improving the quality of products. Also, in India centralised economic planning is identified with physical controls. It should be realised that more and more emphasis on suitable monetary and physical policies can direct the economy more efficiently towards desirable objectives rather than detailed centralised physical controls. If government learns these lessons from the recent paradoxical inflation-cum-recession situation, a good lesson would have been learnt from this unhappy episode in the Indian economy.

Industrial Recession in India is a clear and straightforward analysis of

the recent recession, the causes underlying the phenomenon, the course it took and the important lessons which we can learn. It is written for the laymen and it more than meets their needs.

PSYCHOLOGY OF CHANGE

It is a good sign of the time that a number of detailed state-level economic studies are appearing in India. *Economic Development of Uttar Pradesh* by Kripa Shankar is one such.

Uttar Pradesh is one of the important states in Indian union and it also happens to be one of the backward states. The per capita income in UP in 1966-67 at 1960-61 prices was Rs 228 as against Rs 313 in India. Of the 58 poorest districts in India, UP has 22. It is in the field of industries that the backwardness of UP is most conspicuous. Industrial occupations engage only 2.8 per cent of the working population as against 4.2 per cent in the country. UP is also backward in infrastructure and in educational and medical facilities. There is only one doctor for 8320 persons in the state; only 2 per cent of the villages have a qualified doctor. More than one-fourth of the villages have no roads within five miles. About one-fourth of the villages are without drinking water facility. After twenty years of independence, the per capita income in real terms is not significantly higher than what it was nearly fifty years ago !

Land reforms occupy a key position in any scheme of agricultural rejuvenation. The Zamindari Abolition Act was a landmark in the history of the state of UP. It brought an end to the ruinous system of zamindari, gave security of tenure to the cultivators and gave no right, unlike other states, to the ex-landlords to resume tenant's holdings under the pretext of personal cultivation. It drastically restricted sub-letting and put a restriction on partition of holdings and future acquisitions.

But all the same the Act completely overlooked the question of making any structural changes in the pattern of holdings. The disparity in ownership of holdings was glaring enough. The area owned by the top one per cent was equivalent to that held by bottom 50 per cent of the cultivators. The failure on the land redistribution front was the greatest weakness of the land reform measures in UP. Also the Act allows share-cropping which means that sub-letting has been allowed by the back door. Nearly one-third of the cultivated area in UP is in possession of non-cultivating landowners. This is absentee landlordism in another form with all its evils.

Also the land reform measures completely bypassed the question of putting land revenue on a scientific basis. The ceiling legislation has also failed to achieve anything worthwhile, UP having virtually the highest ceiling limit among all the states.

The author is also critical of government's irrigation policy. The irrigation policy followed by the UP government has been based on the philosophy of 'gigantism'. The trouble with big irrigation projects such as the Sarda Canal has been that they have only replaced the existing sources of irrigation rather than supplementing them. The policy makers have now realised their mistakes and have recently shifted their emphasis from big to medium and minor sources of irrigation.

The author appears to be very hopeful about co-operative farming in spite of its comparative failure in India. The FAO document points out that co-operative farming has not developed in any of the countries of Asia and far east for the simple reason that small farmers are very much attached to their ownership rights.

Backward Industry

Industrially also UP is extremely backward. The per capita capital investment in UP is one of the lowest among the states in India, it being only Rs 16 as compared to Rs 101 in Maharashtra. Even during the period of the three Plans no foundation for a rapid industrial development of the state seems to have been laid and whatever little growth has been achieved in this field has not touched even the fringe of the problem.

The author has made a number of suggestions for accelerating the economic development of UP. Economic development being mainly the function of investment, he wants investments to go up. He pleads for heavier taxation of agricultural incomes of substantial landholders. The yield of sale taxes can be considerably increased by merely stopping evasion which is about 80 per cent of the total tax realisation. There is much scope for organising saving schemes in rural areas where they should be made popular. The author also pleads that the sharing of divisible pool between the centre and the states be further changed in favour of backward states such as UP. He is also very critical of the state's non-developmental expenditure which has risen from Rs 28 crores in 1951-52 to Rs 166 crores out of the total expenditure of Rs 404 crores. The phenomenon of mounting arrears of taxes (which amounted to Rs 41 crores in 1968-69) must also be tackled effectively. Working public enterprises profitably is another matter which should receive immediate attention.

There is vast surplus manpower in rural areas. Much use can be made of this surplus labour for the creation of various rural assets. All this according to the author requires planning from below so that the people involved can offer whole-hearted participation. Planning in the ultimate analysis is a question of social dynamics.

This regional study is extremely welcome. But the author seems to have carried out the analysis only in terms of resources and the institutional set up which are hampering the economic progress of UP. The author has not referred to the most important psychological factor in UP that is coming in the way of economic progress. Even a casual visitor to the rural areas of UP or even to urban areas, at once becomes aware of the utter complacency of the average man in UP with the existing conditions. People even though surrounded by vast and varied resources will not make any material progress, if they do not want or care for progress. Changing of this archaic psychology of the people which equates poverty with virtue or god's wish thus becomes the most important step towards economic progress, all the other steps suggested by the author only following from this basic urge to progress materially. Without it no progress can even take place. If UP has remained backward, it is this factor more than anything else which is responsible for it. Spread of modern education can alone bring about this desirable psychological change.

UP's FINANCIAL PROBLEMS

As seen above, after 20 years of independence and 16 years of economic planning, Uttar Pradesh remains one of the most backward states in India. During the decade 1951-61 total investments in Uttar Pradesh amounted to Rs 724 crores which was approximately 7.2 per cent of the total investment of Rs 10,110 crores for the whole country. During 1966-71 this proportion is likely to fall to 5.8 per cent as an amount of Rs 926 crores is expected to be invested out of a total investment of Rs 16,000 crores for the whole country. Thus, the proportion of investment in this state out of the total investment in India has been diminishing whereas the proportion of the country's population residing in this state has been more or less constant. The inevitable result has been declining per capita income in this state and a diminishing contribution of Uttar Pradesh to India's national income.

The finances of the state governments have undergone considerable changes during the post-independence period. Thus during 1951-52 to 1965-66 development expenditure in Uttar Pradesh increased from Rs 26.32 crores to Rs 127.30 crores or by 338 per cent. Though the development and non-development expenditure in Uttar Pradesh has increased considerably, it should be emphasised that the per capita expenditure of the state on development and non-development items has been lower as compared to those in other states. This has resulted in slower progress in various important fields such as education and public health.

While the expenditure of Uttar Pradesh on revenue and capital account has increased rapidly, the tax revenue has not been increasing at the same rate. It increased from Rs 19.18 crores in 1947-48 to Rs 27.41 crores in 1951-52 and to Rs 106 crores in 1967-68 (budget). The Government of Uttar Pradesh still derives more than 45 per cent of its tax yield from land revenue, state excise, stamps and registration fees. This reflects the predominantly rural structure of the economy of Uttar Pradesh and also inability of the government to exploit other resources. Thus the per capita sales tax revenue which was only Rs 3.27 in 1965-66 was the lowest in India except Jammu and Kashmir.

Raising Resources

The state governments have been following an unwise practice of taxing less. Uttar Pradesh thus abolished urban immovable property tax from April 1967 at the cost Rs 2 crores. In view of the increasing fiscal needs of the states there is urgent need to raise additional resources, particularly from the rural sector which has remained under-taxed for quite some time, though it has benefited considerably from development expenditure and rising agricultural prices. Dr. P.K. Bhargava in his book *Uttar Pradesh's Finances Since Independence* has analysed all those problems in very great detail and very convincingly.

While analysing the tax system and taxation policy of UP, the author has made a number of constructive suggestions. He opines that UP should abolish land revenue on land holdings of 2.5 acres and below and more than make up this loss by imposing a graduated surcharge of 50 per cent to 250 per cent on bigger land holdings. This suggestion is quite feasible. But his suggestion to earmark the yield from this additional land taxation for expenditure on agricultural development is questionable. It would be dangerous to introduce the principle of tying yields of different taxes to specific purposes. As regards sales tax, the problem is that of evasion and mounting arrears. It is therefore a question of honest, efficient and effective administrative machinery. As regards non-tax resources, the author wants the government to exploit the enormous forest resources. In the sphere of irrigation he advocates a two tier system of rates : (*i*) a general irrigation rate on a uniform basis payable by all cultivators who reside within the command area, irrespective of the use of water and (*ii*) a specific irrigation rate on a progressive basis linked with the quantum of water used.

Financing Irrigation

There is no doubt that such an arrangement would be conducive to the use of water and would also help in financing irrigation projects. The author is not in favour of raising of electricity rates as that may adversely affect the economy. He favours steps to increase the efficiency of electricity schemes so that the cost of production may come down. He has also made a valuable suggestion that the state government should not nationalise goods transport, nor should it enter this field at the present when the government is beset with financial stringency. The state government should use financial resources for financing projects which are essential for the country but which private enterprise is not willing to undertake. It is certainly a sound principle.

What about the future outlook ? According to Dr Bhargava, though there is an urgent necessity to control the growth of population in UP, yet the crucial role of investment in the economic development of the state cannot be ignored. This therefore calls for a bold and more intensified programme of taxation and investment. The investment programme of UP should take special care to exploit the potentialities of agriculture in the state. It should aso aim at strengthening the social and economic infrastructure so that the psychological and institutional barriers to industrial development are removed and the state develops a sound base for self-generating growth in future.

Uttar Pradesh's Finances contains a clear and concise analysis of the finances of the state, the author showing no special preference for any ideology but intent on objective analysis to the extent possible. And, therefore, as Dr D. T. Lakdawala has pointed out in his brief foreword, this study should stimulate similar studies regarding other states, so that vital decisions may be taken on the basis of greater knowledge.

CO-OPERATIVES IN FARMING

Agricultural Economics and Co-operation is a voluminous book written jointly by five authors who have made an attempt to give a comprehensive analysis, theoretical and practical, of the problems of Indian agriculture and co-operation.

Part I of this book besides presenting a theoretical background of agricultural economics, discusses various problems connected with Indian agriculture. Should agricultural development precede industrial development or should the latter precede the former ? This controversy has been examined in detail. The answer as Higgins has rightly noted is : "So far as industry versus agriculture is concerned, it is not a question of balanced growth or unbalanced growth, but one of balanced growth or no growth at all." One is inclined to accept this view. Further on we note with certain amount of satisfaction the increasing productivity of Indian agriculture and yet feel dismayed to see the still existing difference between productivity of Indian agriculture and that of some other countries where it is ten to fifteen times higher. This means that there is immense scope for the development of Indian agriculture with better inputs such as water, fertilisers and seeds.

Discussing the shortcomings of land reforms the authors quote with approval what Mr K. Nair wrote about them: "Though since 1947, India has enacted perhaps more land reform legislation than any other country in the world, it has not succeeded in changing in any essentials the power pattern, the deep economic disparities, nor the traditional hierarchical nature of inter-group relations which govern the economic life of village society." How true ! As regards the system of farming, the authors approvingly state that no system of farming is likely to effect so much improvement in agriculture as co-operative farming. One is not inclined to agree with this view considering the immense psychological and institutional obstacles in the way of successful operation of co-operative farming and also in view of its appalling failure in India since the passing of Nagpur resolution on co-

operative farming. Those who advocate co-operative farming should take adequate note of the difficulties pointed out by the Report of the Planning Commission, the Co-operative Farming Advisory Body, the FAO document and the Gadgil Committee. Importance of rural transport system has been well emphasised. Chapter on Bhoodan Movement analysing the meaning, achievements and shortcomings of the movement is easily one of the best chapters in the book containing information not generally found in other books.

Total land donated amounted to 42.64 lakh of acres in March 1967, of which 11.91 lakh acres were distributed by that date which is more than the land distributed by all the land reform legislation in India passed since independence, Similarly villages donated amounted to 62,556 by August 1968. In spite of the failure of the Bhoodan movement to achieve the target of four crore acres of land by 1957, the authors rightly state that its real significance lies in the impulse behind it and the way it brings basic changes in the rural economy promoting social initiative and drive at the basic level. Bhoodan Movement may not achieve much, but its moral and symbolic value in these days of moral crisis is undeniable. Writing about 'Agricultural Planning in India' the authors emphasise that our efforts at planning would depend upon a network of effective and well co-ordinated institutions of economic planning, financing, execution, education, training and agricultural research. If India is to survive as a democracy there is no doubt that her agriculture will have to be revolutionised and transformed without any further loss of time.

Problems of Co-operatives

Part II of the book deals with the problems of co-operation. After explaining the meaning and theory of co-operation, the authors have given history of co-operation in 13 countries of the world. Co-operative movement in Israel attracts our attention with its 'Kibutz' 'Moshar Ovdim', 'Moshav Olim' and 'Moshav Shitufi'. India can learn much from these co-operatives in Israel, if it shakes off her political prejudices against that country and seeks collaboration. Note should also be taken of the trend in the co-operative movement in different countries of the world that as a country progresses economically, there is generally decline in co-operative movement in various spheres. This means that the superiority claimed for co-operation on moral grounds is not justifiable. It is just one of the forms of business organisation and should be adopted only if and where it is found suitable.

Against this theoretical and international background the authors have analysed the various aspects of co-operation in India.

While the book contains a vast amount of useful material, it must be admitted that the level of critical analysis of most of the problems is not very high. The entire material on Indian co-operation could have been well-integrated with the problems of Indian agriculture. This would have avoided much repetition and cut down many pages making the size of the book manageable or sparing the pages for more critical analysis. There are some major gaps in the book. There is just a bare mention on page 530 to 'green revolution' which in view of its importance deserves a chapter explaining the features and prospects of the 'green revolution'. Similarly it is surprising that in a book on Indian agriculture published in 1970 there is not even the bare mention of crop and cattle insurance on which there is so much discussion. And yet with all these defects the book gives a comprehensive picture of Indian agriculture and its problems and hence would be useful to graduate classes of Indian universities.

TRADE UNIONS IN PORTS

Considerable number of studies about trade unionism have been produced in recent years in the developing countries of Asia and Africa. Most of those studies however deal with the problem at the macro-level and reach some general conclusions regarding weaknesses of trade unionism in those countries, influence of political parties and political leaders, regarding organisational and financial weaknesses, neglect of welfare activities and their dependence on government intervention and labour courts rather than on their own bargaining strength.

In practically every underdeveloped country there are some trade unions which have achieved some degree of success of progress. Hardly anybody has cared to study these unions and the causes of their success. In this book, *Trade Unionism in Indian Ports*; Michael Bogaert studies the growth and nature of trade unionism at Calcutta and Bombay.

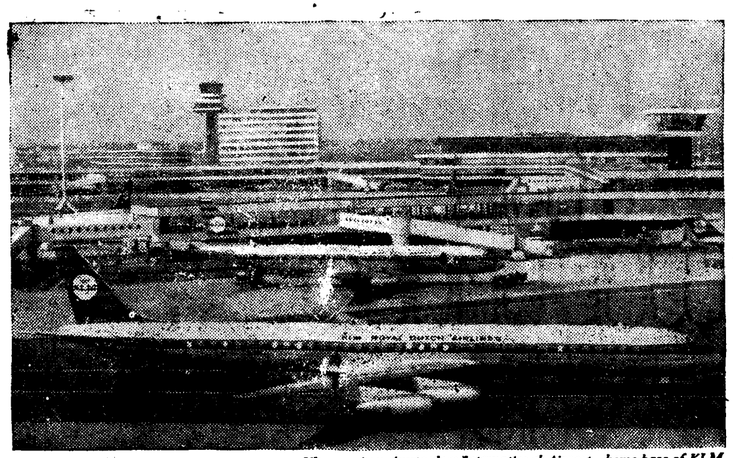
It is found that trade unions are conditioned by the peculiar characteristics of the industrial environment in which they operate. In the introductory chapter the author has described these peculiarities in relation to the ports of Calcutta and Bombay. These ports present a rather complex configuration of different sorts of employers, engaging a labour force that is heterogeneous in skills and educational attainments. This influences their commitment and adjustment to the industrial way of life. While Calcutta port has drawn its labour force from its hinterland, the port of Bombay has attracted some of their workers from beyond its hinterland. It is also noticed that in spite of the above peculiarities, the process of integration appears to have progressed further in Bombay than in Calcutta because of greater labour commitment and better living conditions in Bombay. This means that the climate appears to be more favourable for the growth of trade unionism in Bombay docks than at Calcutta.

Leftist Ideology

The growth of trade unions have been conditioned by the political and industrial climate prevailing at the time of the origin of the movement and the ideology of early leaders. In both Calcutta and Bombay, the leaders of more successful unions were inspired by the leftist ideology which put them in opposition to both the management and the government and made them in a sense the genuine spokesmen of workers' protest against exploitation.

From the study of trade unions in Calcutta and Bombay, certain conclusions can be drawn. In a complex situation as in Calcutta and Bombay, political unionism has contributed greatly to the development and strength of the movement. Most of the successful dock unions, received their initial guidance from leaders who were politically motivated and were ideologically related to one or the other political party. It would also appear that subsequently there has been a tendency among the unions to evolve towards greater political disengagement.

As regards organisation and administration of unions, it was noticed that Calcutta Port Shramik Union (CPSU) and the Transport and Dock Workers' Union, Bombay (TDWUB) are organisationally better developed than other unions in terms of membership, financial and personnel resources and office facilities. By pioneering work in the promotion of worker education and human development and by launching co-operatives, they have been able to foster the growth of social and economic interests of their members and have provided workers with some measure of security. In fact there is a general tendency among all dock unions towards greater emphasis on inner or-



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ganisational growth and the professionalisation of their cadres.

What appears to be of crucial importance is the degree of identification of the top leaders with the workers, expressed in terms of years spent in the trade union movement, the amount they have suffered for workers and the amount of time and attention given to workers' and unions' day-to-day problems. Because CPSU and the TDWUB have had the benefit of such a type of professional leaders (rather than 'big name leaders') it becomes clear why they, more than others, have grown organisationally and have had to rely less and less on the support of political parties. It also explains why in their industrial relations they have achieved more success as compared to other dock workers' unions.

As regards the achievements of the dock workers' unions in improving wages and working conditions of dock workers, the author has shown how the two unions, CPSU and TDWUB, have been able to establish a certain measure of effective control over wages and working conditions. But the present labour policy of the government puts severe limitations on their effectiveness. The scope it gives to settle matters through labour courts means lessening the thrust which larger unions such as CPSU and TDWUB could have exerted by bipartite bargaining.

The study leads the author to suggest a model of a successful trade union. He considers that a union stands a better chance to succeed if it has committed labour force as its members, favourable attitude on the part of management, permissive legal framework, professional leadership that has breadth of vision and commitment to wider social goals, financial stability and bureaucratisation of business procedures.

Certain Limitations

The case method of investigation adopted by Michael Bogaert carries with it certain limitations. There is the danger of the researcher being strongly influenced by the personalities and personal views of the interviewees. There is also the more serious danger of subjectivism. With all these limitations, case studies are an important part of analysis which supplements the macro-level analysis of problems in different fields. From this point of view Michael Bogaert's work is extremely welcome as it fills an important gap in the literature on Indian trade unions.

THE HUMAN FACTOR

Human beings in Indian industries are generally neglected and do not receive the same attention as in the west. Though the situation is better at present, Dr Desai feels that for a variety of reasons labour conditions have not improved significantly. One reason for this neglect, according to the author, is that Indian employers have not yet realised the importance of human factor. They can afford to neglect labour as there is great unemployment in the country and replacement of labour presents no problem. More important reason however is that due to the existence of sheltered markets, there is no real competition and therefore inefficiency of workers is not the major headache of the employers. Though our industries are able to survive and show profits in spite of labour inefficiency, Indian exports are adversely affected in the international competitive markets.

Dr Desai in his *Human Problems in Indian Industries* has made an attempt to analyse various aspects concerning the problem of labour efficiency. Though these aspects have been discussed threadbare by foreign experts in the context of their countries, the solutions suggested by them are not often applicable to Indian conditions. And hence this attempt by the author to analyse the problem in the Indian context.

It would be instructive to note the views of the author on the above aspects. As regards selection of employees, the author writes that when we are selecting an individual for a job in an organisation, the aim should be to have him in the organisation till he attains the age of retirement. The employer therefore must take into account the ability of the man to progress in future. The author warns that it is no use selecting the best available man simply because he is available. An overqualified employee will not remain for long with the organisation and even if he stays, he will not find the job challenging. There must be procedure to analyse the requirements of the job and the merits of the applicants. In India much of the recruitment is made on the basis of hit-or miss principle, resulting in much wastage. At least the larger industrial establishments must undertake programmes of 'Job and Worker Analysis' for recruiting their personnel.

The author has given great emphasis on 'induction programme'. No sooner an employee enters an organisation, he faces a number of problems of adjustment and hence the necessity of a formal induction programme, i.e., introducing the worker to his job and organisation. This will give him the necessary information about the nature of his job, his duties and responsibilities, about his colleagues and bosses and standing orders, etc. The whole idea behind this scheme is to create a sense of belonging in the minds of the new employees. Such a programme will also avoid a lot of wastage of energy and time as also frustrations which otherwise result among workers. Unfortunately in India very few industrial establishments have formal induction programme for new entrants. This can be easily done in large establishments without much cost.

As regards training, the author is of the opinion that industrial establishments will have to organise training programmes for the numerous categories of employees. They will have to set the objectives of training, execute the programme and carry out evaluation to find out whether the objectives have been realised. Only this will make the training programme effective and profitable. As regards promotion Dr Desai is neither in favour of mere seniority as that tends to discourage merit among juniors, nor in favour of mere merit as that would open out doors for favouritism and victimisation. He therefore suggests a compromise formula of seniority-cum-merit.

Problems Posed

Large industrial organisations pose a number of problems for the management of which the problem of effective communication between management and workers is the most important as also the most difficult. In the absence of proper and effective communication between the management and workers, there are bound to be misunderstandings which often develop into major industrial conflicts. It is, therefore, essential to have an effective machinery for communications. Suggestion box, formal and informal meetings, discussion of various problems, etc. are some of the suggestions which the author has made. The main point is that managements have to realise the importance of understanding the workers.

Writing on 'work and incentives', the author is of the opinion that Indian workers are certainly capable of doing their work at a much higher level of efficiency but that managements have failed to create the conditions whereby best can be got out of them. The author has emphasised not only the financial incentives but also non-

financial incentives which are mostly neglected.

All this means that to increase productivity and efficiency of workers, we do not need mere celebration of 'productivity years'. We need scientific approach to the problem. We should try to study how work-methods could be improved, how work-norms could be established and how wastages could be avoided. The author ends on a hopeful note that we need not be pessimistic about the present situation for there are definitely signs of awakening on the industrial front.

Dr Desai's analysis is based on strong commonsense. It is, therefore, bereft of expertise and sophistication. Though the problems appear to be rather over-simplified, the book gives to the lay readers adequate insight into the problems affecting labour efficiency. Though some of the solutions offered appear anive, it would equally be wrong to adopt the most sophisticated American or English techniques to deal with the problems of Indian labour.

The Sweet Sixteen

History of the Reserve Bank of India (1935-51): Reserve Bank of India, Bombay; 1970; Pp. 828; Price Rs 50.00.

Reviewed by N. P. KURUP

The Reserve Bank of India has rendered a distinct service by bringing out an official history of the bank covering the first 16 years of its life. It was prepared by S. L. N. Simha under the guidance of an Editorial Committee presided over by Dr C. D. Deshmukh, who has played a key role in the evolution of the Reserve Bank of India. It was commendable that the bank gave complete freedom to the committee in compiling the history. The chairman of the committee has explained that their "endeavour has been to compile a history that is comprehensive, authentic, accurate and objective while at the same time scholarly and eminently readable....". Surely, the volume has satisfied all these conditions.

The volume falls into four broad sections : the preparatory years, that is pre-1935 developments; the formative years, 1935-39; the war years, 1939-45; and the post-war years, 1945-51.

Though the Reserve Bank was established in 1935, it had a long background which has been traced to as far back as 1773. The three chapters on preparatory years provide a fairly detailed account of early central banking ventures, history of Indian currency and exchange, a brief description of the Indian money market before the inauguration of the Reserve Bank and the provisions of the Reserve Bank of India Act. It is interesting to note that the provision for the creation of a special Agricultural Credit Department *forthwith* was really a last minute inclusion by the Legislature, being the result of a lengthy debate on an amendment moved by Mr. B. Sitaramraju.

The five chapters on formative years give an account of the emerging organisation of the bank and the evolution of the basic approach of the bank to the difficult task assigned to it. But soon the problems of war finance, over which it had little control, overshadowed other problems. Perhaps, the greatest criticism which the young Reserve Bank had to face relates to the war time inflation. The eight chapters on war years throw a great deal of light on its handling of many intricate problems arising from war finance. The final section covering five chapters deals with the transition of the Indian economy from war to peace conditions through the travail of partition and its changed status as a nationalised institution.

The crucial role played by the RBI in the evoluion of Indian financial and monetary history is fairly well known and has been the subject of many studies earlier. What was lacking in all those earlier non-official and official publications was an account of the conflicts and compromises and the role played by various eminent men in the evolution of the Reserve Bank as it is today. Perhaps it was in filling up these gaps of information on the 'human side' that the volume deserves special attention.

Differences of Opinion

In order to demonstrate the principle of independence of the bank, about which very strong sentiments had been professed by the government, the post of governor was offered to Sir Osborne Arkell Smith, then one of the two managing directors of the Imperial Bank of India. But his sense of independence turned out to be a liability for the post and he tendered his resignation effective from July 1937. Sir Osborne was keen to maintain the independence of the institution he headed. Even in his Imperial Bank days he refused to be 'run by London or elsewhere' and while in the RBI he was sick to death as government always attempted domination of the bank.

There were serious differences of opinion between him and the Finance Member over the lowering of the bank rate, management of the bank's investments and the exchange rate of the rupee. There was also difference of opinion between him and his 'Senior' Deputy Governor, Sir James Taylor, who belonged to the Indian Civil Service. Commenting on this the volume notes : "It is very probable that the difficulties which arose between the governor on the one hand and his deputy and the Finance Member on the other represented to a certain extent the traditional conflict between professional bankers and civil service personnel." The official history also suggests that the absence of cordiality, mutual confidence and loyalty at different levels provide part of the explanation why the bank did not make greater progress in its role as Central Bank in the pre-war years. Sir Osborne's successor, Mr James Taylor, largely succeeded in eliminating personal conflicts with the board, the government or senior executives and therby provided a contrast to his predecessor.

Mr C. D. Deshmukh, though the natural successor to Mr James Taylor, had the liability of being an Indian to be appointed to the post, but the firm and united stand taken by the board of directors forced the government to submit to the inevitable. The appointment of an Indian as governor was productive of many initiatives and contributed much to safeguarding India's interest. The history has also brought out the effective role played by the central board of directors which firmly had established itself as a body to be reckoned with. The credit for this largely goes to Sir Purshotamdas Thakurdas, whose contribution in the establishment and the valuation of the RBI is second to none. The official history has ably presented the great role played by this non-official central banker.

This volume covers up to 1951 when, the Reserve Bank, to quote *Eastern Economist* "is in fact, a very young maiden—just fifteen years old—possibly sure of its ability, as young things usually are, but not yet very sure of its experience in a difficult world" (quoted on p. 748 of the volume). The history of the Reserve Bank since 1951 would have been more interesting but as Mr L. K. Jha observed in his foreword, the planning era "was too close for it to be viewed in the kind of time perspective that history needs".

Books Received

Freedom and Necessity (*An Introduction to the Study of Society*): Joan Robinson; George Allen and Unwin; Pp 128; Price cloth 25s and Paper 12s.

Sikkim and Bhutan : V.H. Coelho; Indian Council for Cultural Relations; Pp 138; Price Rs 15.

Diplommetry : I. P. Singh; Somaiya Publications Pvt. Ltd., 172 Naigaum Cross Road, Bombay-14; Pp 114; Price Rs 15.

Essentials of Government : V. G. Mankar; Somaiya Publications Pvt. Ltd; Pp 379; Price Rs 12.

A Guide to Modern Economics: J. K. Mehta and Mahesh Chand; Somaiya Publications Pvt. Ltd; Pp 359; Price Rs 35.

Indian National Movement: D.C. Gupta; Vikas Publications; Pp 291; Price Rs 25.

Evolution of Nuclear Strategy: Squadron Leader K.S. Tripathi; Vikas Publications; Pp 212; Price Rs 24.

Agricultural Development : A Review of FAO's Field Activities : Basic Study No. 23: Published by the Food and Agriculture Organisation of the United Nations; Pp 194; Price $2.50.

Absenteeism in Industries in Bombay: A Survey: Published by the Employer's Federation of India, 148, Mahatma Gandhi Road, Bombay-1; Pp 43; Price Rs 3.

Report on Bottlenecks in the Farm Equipment Industry : Published byt he Indian Society of Agricultural Engineers ; Pp 39; Price not stated.

The Indian Manager in Search of a Style : Arabinda Ray; Published by Krishna Raj for Economic and Political Weekly, Bombay-1 BR; Pp 67; Price Rs 12.

Industrial Structure of India During Medieval Period : N.S. Gupta; S. Chaud & Co.; Pp 254; Price Rs 25.

Gujarat Directory of Manufacturers : Prepared and Published by the Directorate of Industries, Government of Gujarat, Ahmedabad-1; Pp 618.

Dimensions of Industrial Relations in India : Edited by Dr B.S. Bhir; United Asia Publications, 12, Rampart Row, Bombay-1; Pp. 168; Price Rs 20.

5¾ PER CENT STATE GOVERNMENT LOANS, 1982.

Fifteen State Governments have announced the issue of their new loans bearing interest at 5¾ per cent per annum for amounts aggregating Rs 142·50 crores as under :-

Serial No.	State	Amount of Laon (In crores of Rs.)	Issue Price per cent
1.	Andhra Pradesh	12·00	100·00
2.	Assam	3·75	100·00
3.	Bihar	5·00	100·00
4.	Gujarat	16·00	100·00
5.	Haryana	4·50	100·00
6.	Kerala	6·00	100·00
7.	Madhya Pradesh	7·00	100·00
8.	Maharashtra	19·25	100·00
9.	Mysore	10·50	100·00
10.	Orissa	6·00	100·00
11.	Punjab	5·25	100·00
12.	Rajasthan	6·00	100·00
13.	Tamil Nadu	16·50	100·00
14.	Uttar Pradesh	13·75	100·00
15.	West Bengal	11·00	100·00
		142·50	

All loans will open for subscriptions on Wednesday, 15th July 1970 and close on Tuesday, 21st July 1970 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent. in excess of the notified amounts.

The loans will be redeemable at par after 12 years i.e. on 15th July 1982 and interest will be paid half-yearly on 15th January and 15th July each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments :-

Serial No.	Name of the loan tendered for conversion	Name of the new loan issuable.
1.	4½% Andhra Pradesh State Development Loan, 1970.	5¾% Andhra Pradesh State Development Loan, 1982.
2.	4½% Bihar State Development Loan, 1970.	5¾% Bihar State Development Loan, 1982.
3.	4½% Kerala State Development Loan, 1970.	5¾% Kerala State Development Loan, 1982.
4.	4½% Madhya Pradesh, State Development Loan, 1970.	5¾% Madhya Pradesh State Development Loan, 1982.
5.	4 % Bombay State Development Loan, 1970.	5¾% Maharashtra State Development Loan, 1982.
6.	4½% Bombay State Development Loan, 1970.	5¾% Maharashtra State Development Loan, 1982.
7.	4½% Mysore State Development Loan, 1970.	5¾% Mysore State Development Loan, 1982.
8.	4½% Orissa Government Loan, 1970.	5¾% Orissa Government Loan, 1982.
9.	4½% Rajasthan State Development Loan, 1970.	5¾% Rajasthan State Development Loan, 1982.
10.	4½% Madras Loan, 1970.	5¾% Tamil Nadu Loan, 1982.
11.	4½% Uttar Pradesh State Development Loan, 1970.	5¾% Uttar Pradesh State Development Loan, 1982.
12.	4½% West Bengal Loan, 1970.	5¾% West Bengal Loan, 1982.

Interest on the maturing securities accepted for conversion will be paid at the existing rate i.e. 4% in the case of 4 % Bombay State Development Loan, 1970 and 4½% per annum in the case of other maturing loans upto and inclusive of 14th July 1970.

Applications for *all the loans* will be received at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort & Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the branch of State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the respective States* as follows :

(*i*) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work,

(*ii*) Branches of the State Bank of India at places where there is no branch of its subsidiary Banks conducting Government treasury work.

Applications for Kerala State Development Loan will also be received at Treasuries and Sub-Treasuries in the State of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting Government Treasury work.

Applications for Punjab and Haryana State Government loans will also be received at the State Bank of India, Chandigarh.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

Applicants tendering applications at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will, in the event of over-subscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may still be open for subscription. To avail themselves of this facility, the applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form alongwith their application .

RECORDS AND STATISTICS

New Union Council of Ministers

A MAJOR re-allocation of the portfolios of the union Council of Ministers was announced last week. The portfolios of as many as six Ministers of cabinet rank and those of several Ministers of State and Deputy Ministers were changed. The total strength of the Council of Ministers was also raised from 43 to 55.

The Prime Minister shed the portfolio of Finance and took over the Ministry of Home Affairs. Mr Y. B. Chavan, who hitherto had been the Minister of Home Affairs, was moved to Finance. Mr Fakhruddin Ali Ahmed was moved from the Ministry of Industrial Development, Internal Trade and Company Affairs to that of Food, Agriculture, Community Development and Co-operation. The previous minister incharge of this ministry, Mr Jagjivan Ram, was moved to Defence, replacing Mr Swaran Singh who shifted to the Ministry of External Affairs. Mr Dinesh Singh, the hitherto Minister for External Affairs, moved in to the Ministry of Industrial Development and Internal Trade. The Department of Company Affairs in this Ministry was put under the separate charge of Mr K. V. Raghunatha Reddy, Minister of State. Mr B. R. Bhagat was shifted from the Ministry of Foreign Trade to the Ministry of Steel and Heavy Engineering. Since the resignation of Mr C. M. Poonacha a few months ago, this ministry was being looked after by a Minister of State—Mr K. C. Pant. Mr Bhagat's place in the Ministry of Foreign Trade was taken up by a Minister of State—Mr L. N. Mishra, who hitherto had been the Minister of State incharge of the Department of Defence Production in the Ministry of Defence.

Two new Cabinet Ministers were appointed. They were :—Mr K. Hanumanthaiya—a new entrant to the Cabinet—and Mr K. Raghu Ramaiah, who, before the reshuffle, was a Minister of State. Mr Hanumanthaiya—hitherto the Chairman of the Administrative Reforms Commission—was allocated the portfolio of Law and Social Welfare which was held till lately by the late Mr Govinda Menon. Mr Raghu Ramaiah even on promotion retained his earlier portfolios of Parliamentary Affairs, Shipping and Transport.

At the levels of Ministers of State, the important changes made were : (1) Mr K. C. Pant was moved from the Ministry of Steel and Heavy Engineering to the Ministry of Home Affairs; (2) Mr. P. C. Sethi took over the Department of Defence Production, relinquishing his charge in the Ministry of Finance; (3) Mr R. K. Khadilkar was moved from the Ministry of Finance to the Ministry of Supply; (4) Mr L. N. Mishra went over to the Ministry of Foreign Trade from the Department of Defence Production; and (5) Mr V. C. Shukla was moved from the Ministry of Home Affairs to the Ministry of Finance. Five new Ministers of State were appointed. They were : (1) Mr Parimal Ghosh (Ministry of Health and Family Planning and Works, Housing and Urban Development); (2) Mr Ram Niwas Mirdha (Ministry of Home Affairs); (3) Chaudhary Nitiraj Singh (Ministry of Petroleum and Chemicals and Mines and Metals); (4) Mr N. S. Mahida (Ministry of Defence) and (5) Mr Om Mehta (Ministry of Parliamentary Affairs). Mrs Nandini Satpathy was promoted from the Deputy Ministership to be a Minister of State. She, however, continues to be attached to the Prime Minister.

Six new Deputy Ministers were appointed. They are : (1) Mr Jagannath Pahadia (Ministry of Food, Agriculture, Community Development and Co-operation); (2) Mr K. R. Ganesh (Ministry of Finance); (3) Mr A. K. Kisku (Ministry of Education and Youth Services); (4) Mr Biswanath Roy (Ministry of Labour, Employment and Rehabilitation); (5) Mr. P. Parthasarthy (Ministry of Parliamentary Affairs); and (6) Mr. R. S. Panjhazari (Ministry of Parliamentary Affairs). Among the important changes made in the allocation of work to the Deputy Ministers were: (1) Mr Mohammad Yunus Saleem was shifted from the Ministry of Law and Social Welfare to the Ministry of Railways; and (2) Mr Bhanu Prakash Singh was moved from the Ministry of Industrial Development to the Ministry of Petroleum, Chemicals and Mines and Metals.

The complete list of the central government ministers is given on page 39 and their portfolios are given against their names.

Allocation of Business

Along with the cabinet reshuffle, several changes were also made last week in the allocation of business among the various ministries. The Cabinet Secretariat will now have five departments instead of two it had till last week. The new five departments of the Cabinet Secretariat are: (1) Department of Cabinet Affairs; (2) Department of Electronics; (3) Department of Scientific and Industrial Research; (4) Department of Personnel; and (5) Department of Statistics. The Department of Scientific and Industrial Research hitherto had been under the charge of the Ministry of Education. The Department of Personnel has been transferred from the Ministry of Home Affairs. The Department of Electronics has been newly created. The work relating to electronics was previously being handled by the Department of Defence Supplies. The Administration of the Petroleum Act, 1934, and the rules made thereunder has been passed on to the Department of Industrial Development under the Ministry of Industrial Development, Internal Trade and Company Affairs.

Apart from the above changes in the Allocation of Business Rules, it is learnt that revenue intelligence and central intelligence henceforth will be looked after by the Cabinet Secretariat. The allocation of work between the Ministry of Industrial Development and Internal Trade and the Department of Company Affairs (which has been put under the separate charge of Mr K.V. Raghunatha Reddy) is being sorted out. Indications are that decisions on industrial licences henceforth shall be taken by a Ministerial Committee to be set up for the purpose. This committee will be headed by the Prime Minister herself.

Mrs Indira Gandhi	**MEMBERS OF THE CABINET**
	Prime Minister, Minister of Atomic Energy, Minister of Home Affairs and Minister of Planning.
Mr Fakhruddin Ali Ahmed	Minister of Food & Agriculture.
Mr B. R. Bhagat	Minister of Steel and Heavy Engineering.
Mr Y. B. Chavan	Minister of Finance.
Mr K. Hanumanthaiya	Minister of Law and Social Welfare.
Mr G. L. Nanda	Minister of Railways.
Mr Jagjivan Ram	Minister of Defence
Mr K. Raghu Ramaiah	Minister of Parliamentary Affairs and Shipping & Transport.
Prof. V. K. R. V. Rao	Minister of Education & Youth Services.
Mr D. Sanjivayya	Minister of Labour and Rehabilitation.
Dr Triguna Sen	Minister of Petroleum and Chemicals, and Mines & Metals.
Mr K. K. Shah	Minister of Health and Family Planning and Works, Housing and Urban Development.
Mr Dinesh Singh	Minister of Industrial Development and Internal Trade.
Dr Karan Singh	Minister of Tourism & Civil Aviation.
Mr Swaran Singh	Minister of External Affairs.
Mr Satya Narayan Sinha	Minister of Information & Broadcasting and Communications.
	MINISTERS OF STATE
Mr Bhagwat Jha Azad	Minister of State in the Ministry of Labour, Employment and Rehabilitation.
Mr Bhakt Darshan	Minister of State in the Ministry of Education and Youth Services.
Mr D. R. Chavan	Minister of State in the Ministry of Petroleum and Chemicals and Mines & Metals.
Mr Parimal Ghosh	Minister of State in the Ministry of Health and Family Planning and Works, Housing and Urban Development.
Mr I. K. Gujral	Minister of State in the Ministry of Information and Broadcasting and in the Department of Communications.
Mr Jaganath Rao	Minister of State in the Ministry of Law & in the Department of Social Welfare.
Mr R. K. Khadilkar	Minister of Supply.
Mr L. N. Mishra	Minister of Foreign Trade.
Mr B. S. Murthy	Minister of State in the Ministry of Health and Family Planning and Works, Housing and Urban Development.
Mr K. C. Pant	Minister of State in the Ministry of Home Affairs.
Dr K. L. Rao	Minister of Irrigation & Power.
Mr K. V. Raghunatha Reddy	Minister of Company Affairs.
Mr P. C. Sethi	Minister of State (Defence Production) in the Ministry of Defence.
Mr A. P. Shinde	Minister of State in the Ministry of Food, Agriculture, Community Development and Co-operation.
Mr V. C. Shukla	Minister of State in the Ministry of Finance.
Prof. Sher Singh	Minister of State in the Ministry of Information and Broadcasting and in the Department of Communications.
Mrs Nandini Satpathy	Minister of State.
Mr Ram Niwas Mirdha	Minister of State in the Ministry of Home Affairs.
Chaudhary Nitiraj Singh	Minister of State in the Ministry of Petroleum and Chemicals and Mines and Metals.
Mr N. S. Mahida	Minister of State in the Ministry of Defence.
Mr Om Mehta	Minister of State in the Ministry of Parliamentary Affairs.
	DEPUTY MINISTERS
Mr P. Parthasarthy	Deputy Minister in the Ministry of Parliamentary Affairs.
Mr R.S. Panjhazari	Deputy Minister in the Ministry of Parliamentary Affairs.
Mr Rohanlal Chaturvedi	Deputy Minister in the Ministry of Railways.
Mr Jagannath Pahadia	Deputy Minister in the Ministry of Food, Agriculture, Community Development and Co-operation.
Mr S. C. Jamir	Deputy Minister in the Ministry of Food, Agriculture, Community Development and Co-operation.
Mr M. R. Krishna	Deputy Minister in the Ministry of Industrial Development, & Internal Trade.
Dr (Mrs) Sarojini Mahishi	Deputy Minister in the Ministry of Tourism and Civil Aviation.
Mr Mohammed Shafi Qureshi	Deputy Minister in the Ministry of Steel and Heavy Engineering.
Mr K. S. G. Ramaswamy	Deputy Minister in the Ministry of Home Affairs.
Chowdhary Ram Sewak	Deputy Minister in the Ministry of Foreign Trade.
Mr Mohammad Yunus Saleem	Deputy Minister in the Ministry of Railways.
Mr Siddheshwar Prasad	Deputy Minister in the Ministry of Irrigation and Power.
Mr Bhanu Prakash Singh	Deputy Minister in the Ministry of Petroleum and Chemicals and Mines and Metals.
Mr Iqbal Singh	Deputy Minister in the Department of Parliamentary Affairs, and in the Ministry of Shipping and Transport.
Mr Surendra Pal Singh	Deputy Minister in the Ministry of External Affairs.
Mr K. R. Ganesh	Deputy Minister in the Ministry of Finance.
Mr A. K. Kisku	Deputy Minister in the Ministry of Education and Youth Services.
Mr Bishwanath Roy	Deputy Minister in the Ministry of Labour, Employment and Rehabilitation.

AICC(O) On Fourth Plan

THE RESOLUTION on the fourth five-year Plan passed by the All-India Congress Committee (Organisation) at its meeting in the capital held between June 27 and 29 focussed attention on the growing uneasiness among the masses which had been caused by stagnation in the economy. It expressed the fear that the rate of growth of the economy targeted at 5.5 per cent per annum for the fourth Plan period would not be attained due to the weakening of the law and order situation in the country. Moreover, the substantial transfer of savings from the household sector to the public sector envisaged in the Plan would, it is feared, reduce the proportion of savings and investment in the private sector which in turn would depress the rate of growth in national production. The rising prices and the consequent erosion in the purchasing power of the rupee had increased costs, according to the resolution. A scarcity of essential goods is being experienced in some sectors of the economy at present; this situation is expected to worsen further due to the mishandling of the economy.

The full text of the resolution follows :—

The AICC views with concern the near stagnation in the national economy and the growing restlessness among the people, particularly among the working class and millions of rural and educated unemployed, whose number is swelling at the rate of 10,000 a day. The AICC considered the fourth five year Plan in detail and particularly examined how far the basic objective of planning to provide gainful employment is achieved.

Congress has always held that the cherished goal of a democratic socialist society can be attained only through economic planning in which people participated in the fullest measure. However, the AICC considers that several assumptions in the Plan lack credibility and some of the priorities and provisions in the Plan need substantial alterations.

Rate of Growth

The overall growth rate during the Fourth five-year Plan is assumed at about 5.5 per cent per annum and it envisages the rate to reach even a higher level of 6.5 per cent during the subsequent Plans. The average rate of growth of the economy in the last 19 years, since we launched upon the first five-year Plan, works out to 3.2 per cen per annum. With the weakening of the fabric of law and order, the efforts at toppling of stable governments in the states indulged in by the ruling party, gheraoes, bundhs, strikes and general insecurity arising out of the growing Naxilite and communist menace and the growing instability in the states as well as at the centre, this average rate achieved in the-past will not go up.

With the inflationary pressures that are building up in the economy and the scarcity of goods which is already being felt, the purchasing power of the rupee is getting further eroded and costs are mounting. A stable, far-sighted and dynamic government capable of implementing the Plan is totally absent and irrelevant slogans and rigid postures are being adopted by the ruling party. Hence the annual growth rate is likely to go down and not up.

Savings and Investment

In order to attain the overall growth rate of 5½ per cent. the rate of domestic savings is estimated to increase from 8.8 per cent in 1968-69 to 13.2 per cent during the fourth Plan period; and the rate of investment will be increased from 11.3 per cent to 14.5 per cent, in the same period.

Nowhere is the absence of a policy frame in the Plan more conspicuous than in relation to problems of mobilising savings for financing the investment programmes. The share of domestic budgetary resources in total resource mobilisation for the public sector Plan has been raised to about 78 per cent as compared to 59 per cent in the third Plan and 54 per cent in the three annual Plans.

The "distinct departure" in the scheme of financing public sector outlay as claimed in the Plan document would cause a substantial transfer of savings from the household sector to government and that too after taking credit for a trebling of the ratio of public savings to national income from 1.4 per cent in 1968-69 to 4.5 per cent in 1973-74. The AICC would welcome such resource mobilisation but it is clearly of the view that transfer of savings from the household sector to the government for public sector investment of the order envisaged would, if it is not accompanied by substantial rise in the proportion of household savings, reduce the investment by the private corporate sector substantially below even the level maintained during the post third Plan years of industrial recession. This will completely depress the growth in national production.

Capital Output Ratio

The capital output ratio has been assumed in the fourth Plan at the conveniently low figure of 2 (as against the average ratio of 2.4 for the first three Plans). No evidence is available that there is going to be a decisive improvement in the management of economy that can materially improve the output rate as compared to investments. In fact the management of the economy shows steady decline.

Deficit Financing

While the Plan has fixed the overall limit of deficit financing at Rs 850 crores, in the first two years, the uncovered deficits in the central budgets already account for about Rs 500 crores. There is a steady increase in money supply at the rate of 10 per cent a year. So also the volume of credit is expanding unaccompanied by equivalent or more increase in production of goods, particularly the wage goods. This is a major threat to price stability.

Price Stability

Due to the dilatory and feeble handling of the economy by the ruling party, prices have risen by 7.4 per cent in 1969-70. Production is not catching up and scarcity of essential goods is already being felt and is bound to be further aggravated due to this mishandling of the economy and the deteriorating law and order situation in the country.

Guranteed price support for all major crops should be assured so that the development of agriculture and the well being of the farmers can be secured. Buffer stocks should be built up so as to ensure fair price to the farmers and protect the interests of the consumers.

Agriculture and Irrigation

Both agriculture and industry are equally important and vital for the nation's economy. As we were industrially very backward and as we were lacking in technical and management skills, in our first three Plans, we had given "industry" the role of the "leading sector" in our economy and to some extent agriculture was paid less attention. As the population is growing fast and consumption standards and longevity are going up, the AICC considers that we must now give place of the 'leading sector' of our economy to "agriculture and rural development", without sacrificing balanced industrial growth. While some increase in provisions for agriculture is noticeable in the fourth Plan, the provisions fall far short of what needs to be done if famines, scarcity, malnutrition and distressing recession as we experienced in 1965 and 1966 are to be avoided.

New varieties have undoubtedly considerably helped to increase agricultural production. But their impact has been mainly confined to wheat and therefore it requires to be introduced in all crops. Besides, the major rivers have to be harnessed for faster development of irrigation. Major medium and minor irrigation require more funds. To prevent heavy damage due to floods. comprehensive river training programme have to be completed. Rs 953 crores have been provided for major and medium irrigation in the fourth five-year Plan as against Rs 650 crores in the third Plan. With cost of labour, wages, cement, steel, coal, bricks going up, the net effect of the larger outlay in the fourth Plan will be practically the same as in the third Plan.

The AICC strongly feels that the provision for irrigation in the fourth Plan requires to be considerably stepped up if a breakthrough is to be achieved in agricultural sector so as to impart viability to the national economy. Therefore, the provisions for the medium and major irrigation schemes need to be raised by Rs 237 crores for the continuing major and medium projects so as to complete all the schemes in hand withn fourth five-year Plan priod itself and the other new major and medium irrigation projects should be provided with additional Rs 250 crores for accelerating their progress and undertaking investigation, research and designing of new irrigation schemes.

Unless this is done, the green revolution is likely to receive a serious setback. In addition to the major and medium schemes, another Rs 150 crores should be provided for minor irrigation schemes. Thus the provisions for the irrigation schemes (major, medium and minor) and ground water utilisation should be raised in the fourth Plan by an additional amount of Rs 600 to Rs 650 crores. The goal should be that the potential of irrigation should be tapped by husbanding the total available surface and ground water resources within a period of a decade i.e. during the fourth and fifth Plans instead of prolonging it over 20 years as envisaged in the fourth Plan document.

Land Reforms

Land reforms have to be completed in all states during the fourth Plan period so that all intermediaries are abolished and the share-croppers and the tillers become the real owners of their land. Land ceilings have to be enforced and surplus lands have to be distributed to the landless labour. Also in accordance with the resolution of May 1966 passed at the AICC Session in Bombay, crop insurance and cattle insurance should be vigorously implemented.

Industrial Development

The AICC notes with concern the very slow rate of industrial development when the country is really in a position to achieve a break-through on the industrial front if proper policies are adopted and faster implementation is assured by the central government.

Industrial production is expected to increase at the rate of 9 per cent in the fourth Plan. The country achieved an annual growth rate in industrial production of about 9 per cent during the first six years of the development decade 1961-1970. However, the industrial output had fallen in 1966 and 1967, below the levels reached in the previous years. Again it averaged to about 6.5 per cent only in 1968-1969. Thus the industrial progress in the last four years works out at a meagre rate of 3.5 per cent per annum. With uncertain investment in the private sector, and with the conditions prevailing in the public sector undertakings will the estimated rate of 9 per cent take place?

The loss of man-hours resulting from strikes, bundhs, slow-downs, interruptons, demonstrations and the like, to which most of Indian industry in both sectors has been subjected during the last few years is adversely affecting production. With a total employment in industry of about 7 million people, India lost 16 68 million industrial mandays in 1969 of which over 10 million mandays were lost in West Bengal alone. This will be further aggravated due to the indifference of the central government towards spread of gheraoes and indiscipline.

Irrational controls, vacillating and dilatory governmental decisions and erratic procedures have consistently denied adequate expansion or growth to many industries under one pretext or other even when they have functioned with proved efficiency. This has brought down new investment in private sector industries to an average of about Rs 60 crores per year in the last three years as against an average of about Rs 120 crores per year in the previous seven years. The new Industrial Licensing Policy recently announced, is very vague and confusing. The AICC recommends that a clear enunciation of industrial policy and faster decision making are required to restore industrial development and give it further acceleration. Corruption, favouritism and political interference have increased in the procedures of industrial and import licensing. The AICC, therefore, strongly advocates that the work of adminstering controls and licensing should be entrusted to independent experts under direct control of Parliament. At the same time, the economy should be freed from such unnecessary and vexacious controls which have been found to hamper production.

Public Sector

The AICC considers the growth of public sector as very essential and vital to the national economy. It, therefore, welcomes the large provision for the public sector in the fourth Plan. However, it is of the clear opinion that the management, staffing, labour relations and supervision of the public sector undertakings have to be considerably improved so that the huge national investment can yield satisfactory returns in production and profits to the nation.

The outlay on the public sector in the fourth Plan will constitute 60 per cent of the whole Plan and its outlay has been increased by Rs 1,504 crores to Rs 15,902 crores whereas the outlay for the private sector has been reduced from Rs 10,000 crores to Rs 8,980 crores. The AICC notes with serious concern that as per the latest annual Report on Central Public Sector Undertakings, over 90 concerns under this category involving an aggregate investment over Rs 4,000 crores incurred over the years accumulated losses of over Rs 380 crores despite all governmental patronage and monopoly right enjoyed by many of these undertakings in their respective fields. How long will the nation go on bearing such huge losses on such heavy investment? By even modest calculation if the public sector runs efficiently it should have been realising at least Rs 300 crores of profits annually by now.

The Congress has welcomed the nationalisation of banks. But the step of nationalisation of 14 banks has not been followed up with clear cut and vigorous measures. The annual rate of growth of bank deposits has fallen to 10 per cent after nationalisation from 11.4 per cent before nationalisation. The efficiency and public relations of the banks are reported to have gone down. Already and public relations of the banks are reported to have gone down. Already there are complaints that jobs are being provided to many political comrades on the boards of these banks. No clearly defined credit policies are laid down so far and there is too much interference by the officials of the central government and the Reserve

Bank of India in the working of the nationalised banks. The millions of small farmers with uneconomic small holdings and the small artisans and craftsmen with skill require help in form of credit facilities which have not yet been granted to them by the banks. All these serious drawbacks need to be rectified.

Small Industry

Very meagre provisions have been made for the development of village and cottage industries, khadi, handloom, handicrafts, coir and small scale industries in the fourth Plan. It is necessary to provide much more for these industries as they are the most important instrument to provide massive employment to our people to develop backward regions to reduce regional imbalances.

Exports

Before devaluation, our exports had touched Rs 1286 crores in the year 1964-65 (at post devaluation rate). In the five after the devaluation, our exports have increased to Rs 1410 crores in 1969-70 i.e. an increase of Rs 124 crores which means 10 per cent increase in five years. This works out to a growth rate of 2 per cent per annum in our exports in the third Plan period. This year our export trade has achieved a growth of about 3.8 per cent. At this rate, when and how shall we achieve our target of 7 per cent per annum increase in our export at the compound rate as envisaged in the fourth Plan.

Unemployment

The total lack of emphasis on employment is the greatest drawback of the fourth Plan. Unemployment and under employment are mounting. About 13 million persons are unemployed at present. To this will be added 28 million new entrants during the five years of the fourth Plan. The new jobs to be created during the fourth Plan do not come to more than 14 to 16 million. Thus there will be a much bigger back-log of unemployment and under employment at the end of the fourth Plan than the staggering figure of unemployed in the country at present.

Right to Work

The starting point of all economic policy must, as Mahatma Gandhi used to stress, be employment. The Congress Party stands for the "RIGHT TO WORK" of every citizen. Every person who seeks work should be provided with productive work.

The AICC therefore strongly recommends that a statutory "National Employment Fund" be created for making resources available to provide work to every citizen. This should be an important charge on the central and state exchequers. The statutory fund may be of the order of Rs 1000 crores (about Rs 200 crores per year) and should be created out of the consolidated Fund of India.

Well prepared productive programmes of rural works, well digging, tube well boring, digging and deepening of tanks, afforestation, rural roads, minor irrigation, soil conservation, rural electrification, rural industries and other rural development programmes have to be urgently undertaken so as to provide employment to millions of our unemployed people in the rural and urban areas. Drinking water has to be provided to numerous villages as the highest priority. Housing activities should be much more-enlarged than envisaged in the Plan. All these programmes will provide massive and widespread employment. The resources needed for the employment programmes have to be accorded priority, as in the case of Defence, in the national budget.

Employment For Educated Youth

Urgent attention has to be paid to provide employment to our educated youth, engineers and technicians. For the educated unemployed whose number is continuously rising at an alarming rate, a separate "National Corporation for Employment for Educated Youth" with adequate funds would have to be set up to help similar state bodies to reorient wherever necessary the skills of young people and provide them with financial and technical assistance for gainful employment.

In both these programmes, for general and educated unemployed, 25 per cent of the allocation must be used in a manner whereby the beneficiaries are those who belong to the Schedule Castes, Scheduled Tribes, Harijans, Adivasis and other poor and backward sections of the society.

Co-operatives and Panchayats

Along with the massive programme for employment through rural works and rural development it is very essential to disperse and decentralise initiative and enterprise. In the programmes of of agriculture, small industries, rural development and all programmes concerning weaker sections of the society, the greatest encouragement should be given to the development of Panchayati Raj and the Co-operatives. The AICC deplores the recent reactionary steps of some state governments in winding up the Panchayati Raj or discouraging its healthy growth. The AICC also looks upon with regret the retrograde action of the West Bengal governor, in removing the non-officials from the co-operative leadership and imposing officials on these democratic institutions.

Regional Imbalances

Regional imbalances continue to exist. The fourth Plan does not indicate any effective steps to develop backward regions and backward states. The AICC is of the strong view that regional imbalances should be reduced by a dynamic and comprehensive programme backed by suitable incentives, for investments in and development of backward states and backward regions of the country. Special attention should be paid to chronic famine stricken areas.

Resources

The AICC realises that some increase in resources will be required to implement some of the basic changes suggested in this resolution. It is of the view, that considerable savings can be effected by economising administrative and non-plan expenditure which is continuously rising, by efficient working of the public sector undertakings to full installed capacity contributing profits to the general revenues and by vigorous tapping of resources to be mobilised by convassing popular support. If necessary the expenditure on some of the sectors of the Plan can be spread over a slightly longer period so as to accommodate increased expenditure on the higher priority items such as agriculture, irrigation, providing drinking water to villages, housing, small industries and employment programmes.

Inflationary tendencies continue to grow leading to the erosion of purchasing power. The AICC notes with serious concern the fact that according to the fourth Plan perspective, even in 1981, there will be a large section of our people whose income would be less than Rs 20 per month. This indeed reveals a most sorry state of affairs. It is clear that only a strong and stable government at the centre and stable governments in the states can impart vitality and momentum to improve the statement of affairs.

Self-Reliance

The AICC emphasises that the economic development in the country must read to greater self-reliance which must be the major goal to be achieved through planning. The major essential changes suggested in this resolution will accelerate the nation's progress to self-reliance.

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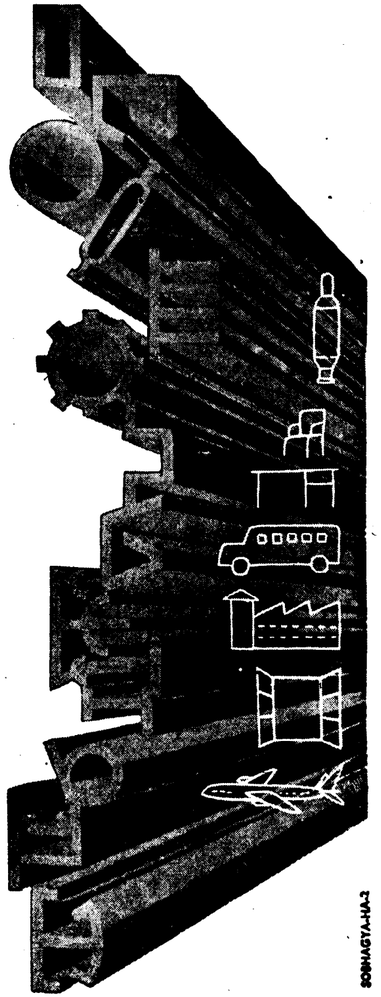

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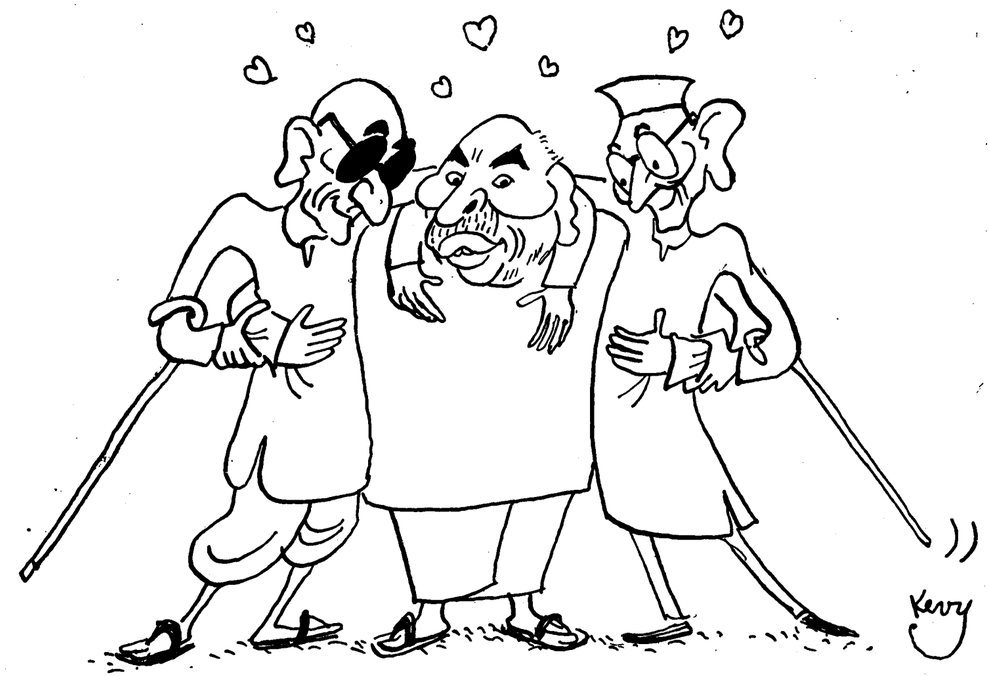
—From *"CHORES FOR MR CHAVAN"*



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CHORES FOR MR CHAVAN

ON THE cabinet reshuffle the Prime Minister had a bad press. Few commentators could see any national good in what she had done. To this critical chorus this journal, too, had lent its unhesitant voice. Nevertheless a second look at the new look which Mrs Gandhi has attempted to give to her council of ministers seems to be in order, particularly in the case of the Finance Ministry.

The Prime Minister has shed the Finance portfolio, or, at least, most of it. This should be a gain for policy and administration as well. The leader of the government must properly reserve his (or her) judgment or authority for the business of overseeing Finance rather than make himself (or herself) responsible for the drill of its regular management. Mrs Gandhi had held this portfolio long enough to have satisfied herself that she could not hold it any longer with advantage either to herself or the government. The muddled state of nationalised banking was only one part of the piled-up evidence that Finance was being conducted as a part-time job by an over-burdened political leader constantly harried by the cares of uncertain office.

The propagandists of the ruling party have been tempted to bill Mr Y.B. Chavan's transfer to the Finance Ministry as a move for the further promotion of the gospel of radical socialism as revealed some time ago at the plenary session in Bombay. Given the uncertainties relating to the timing of the next general election, the present Finance Minister, who is quite a practical politician, is not likely to waste much time on wild geese. On the contrary, he may be interested in using the months available to him for an attempt at bringing some order out of the chaos of his party's economic policies or performance. On this reckoning, Mr Chavan may be expected to act primarily as a consolidator in his new office. His own recent personal experiences, after all, ought to have taught him that political fireworks necessarily have an unpredictable quality about them.

The chances, then, are that we will have a sober Finance Minister keen on settling down to his proper job. His immediate problem, of course, would be the rationalization of the government's policy towards the nationalized banks. His first act, here, must be to determine clearly the nature of the functions of the Banking Department of the Finance Ministry and its relation to the Reserve Bank. The Banking Department represents the central government in the latter's ownership of the nationalized banks. Its relation to the Reserve bank, therefore, is or can be neither more nor less than that of the former owners of these banks when they were in the private sector.

It follows that, whereas in relation to the nationalized banks, the Banking Department may have the rights and powers of ownership and management, it must itself be subject to the general discipline of the central banking institution in the same way as the managements of banks in the private sector are and should be similarly accountable to the Reserve Bank for the proper functioning of the nationalized banks. In other words, merely because some of the banks have been taken over by the government, it does not follow that a departmental agency, consequently set up in the Finance Ministry to exercise the government's rights and duties of ownership over those banks, should be empowered or enabled to function *vis-a-vis* the Reserve Bank in a manner which diminishes the scope or authority of the central banking institution in guiding, co-ordinating or supervising the working of the banking system in all its parts.

The present position, which is a product of the confused post-nationalization period, is far from satisfactory. Not only is the Banking Department in the Finance Ministry dictating to the Reserve Bank about everything that concerns the nationalized banks, but it seems also to have assumed authority to direct through or independently of the Reserve Bank the activities of the entire banking system, inclusive of the banks which are in the private sector. As if this is not enough the Banking Department seems to have become the instrument of the government's consultations or communication with the Reserve Bank on broader aspects of banking policy or even on aspects of monetary policy which are the proper preserve of the Department of Economic Affairs in the Ministry of Finance.

It is clear that if this drift in the related functioning of the various agencies concerned is not ended, the proper position and responsibilities of the Reserve Bank as the central banking institution will be undermined and its relations with the

central government in the field of banking and even monetary policies become hopelessly confused or compromised on. On taking up office, Mr Chavan has been commendably busy consulting with the officials of the Reserve Bank and it is to be hoped that he has already been able to recognize the importance and urgency of sorting out these tangled threads. Unless this job of tidying up is done properly, government operation of nationalized banking may become even more messy than it already is.

Next in importance only to this organizational task is the need for the new Finance Minister taking steps to give the nationalized banks proper custodians and boards without any further loss of time. Here, again, Mr Chavan may be expected to take firm and objective decisions. One or two custodians have already quitted. A few more may or may have to leave perhaps. Where the relinquishment of office is voluntary, it is presumably because the persons concerned do not feel that, in the changed circumstances, they could usefully continue at their posts; or, there may be other considerations, also of a personal nature. Where the departures of custodians are not precisely of a voluntary nature, the public is entitled to be satisfied that they are not the result of any attempt at political restaffing by the government. The new Finance Minister has a fine opportunity of winning a reputation for personal and political integrity by conduct which is not only correct but is seen to be correct.

These would be the essential preliminaries to a wholesome restructuring of banking policy in the context of nationalization. The Finance Minister is no doubt aware of the need to conserve and utilise the resources of the banking system in such a manner that experiments in liberalization do not jeopardise the availability of credit for productive purposes in any sector of commerce or industry. It is also necessary to ensure that bank money is not allowed to be employed in an inflationary manner. Indeed one of the imperatives of a good economic policy at the present time is that the Finance Minister should ensure that all the available institutional finance should be properly directed towards productive investment. The government has lately been taking helpful decisions on new industrial projects. This is commendable and the Finance Ministry should see to it that its own machinery moves promptly to help provide institutional funds or assist in moblising foreign private capital for these schemes.

Taming the White Elephants

It is doubtful that the central government is fully aware of the scope that exists for generating sizable internal resources by the 61 running concerns in the public sector, which including Hindustan Steel Ltd, accounted for an aggregate outlay of Rs 3,534 crores on March 31, 1969, against Rs 3,104 crores at the end of the previous year. There has been no attempt so far to assess correctly the working of these giant undertakings and find out why it has not been possible for them to earn, even fully, interest and depreciation charges though many units had reached the production stage several years back. The performance of running concerns in 1968-69 may now have only academic interest as another financial year is over and there is now discussion about what can be expected in 1970-71 of these and other concerns which have got over the stage of construction. But the results for 1968-69 have a lesson of their own and a careful analysis of the losses and profits of the different units will indicate in what manner the surpluses can be augmented and the further development of the public sector can take place on a self-generating basis.

The aggregate profit of 61 undertakings, before providing for depreciation and interest charges, was higher at Rs 237.56 crores in 1968-69 against Rs 182.04 crores in the previous year. But this was inadequate to provide fully depreciation and interest charges after amortising and writing off deferred revenue expenditure and providing for income-tax wherever necessary. Interest charges rose to Rs 93.08 crores from Rs 69.72 crores and depreciation to Rs 139.70 crores from Rs 119.60 crores. The amount written off on account of amortisation and deferred revenue expenditure was Rs 14.37 crores against Rs 11.14 crores while the provision for taxation was Rs 17.28 crores against Rs 18.51 crores. There was thus a net loss, after making all these adjustments, of Rs 26.87 crores against Rs 36.93 crores. The working results for 1968-69 may, therefore, be considered more satisfactory than those for the previous year. But the return on investment, before providing for depreciation and after allowing for interest charges, worked out to only 4.1 per cent against 3.6 per cent. If it is agreed that there should be at least a 6 per cent net return on investments or a gross return of 12 per cent before taxation, the gross earnings, before depreciation and interest charges, must be as much as Rs 671 crores and Rs 573 crores for the two years under reference. This would mean that there will have to be a near trebling of gross earnings that were actually reported in 1968-69. If such an impressive generation can take place annually, the problem of finding resources for expansion and modernisation schemes of the running concerns would not be so acutely felt as now.

It may be asked whether the assumptions are not extravagant and whether it would be feasible to generate internal resources of the order suggested above. It can be stated straightaway that an average gross return of 12 per cent, before taxation and after depreciation, can be easily attained especially as there are many units which are capable of securing even a higher return on their investment. The main difficulty has arisen because of the inefficient working of a few giants. The HSL, which accounted for an investment of Rs 1,099 crores in 1968-69 could earn only a gross profit of Rs 48.23 crores against Rs 38.73 crores in 1967-68, which was not even adequate for providing depreciation charges, not to speak of making interest payments. These heavy losses are due to the output of the three major units particularly that of Durgapur being considerably below rated capacity. There may be an improvement in the working results of the Rourkela and the Bhilai units in the current year though Durgapur is still bedevilled with labour trouble and the output is currently running at only 50 per cent of the capacity even though there is an acute shortage of steel. By raising operating efficiency and making the best use of existing facilities, HSL will not only be enabling the country to save larger amounts in foreign exchange through the displacement of imports, but also helping the government to earn sizable surpluses. The labour problem must be solved somehow as the investment in HSL works out to nearly 30 per cent of the aggregate investment in 61 running concerns.

CORRECTION

In an article entitled "Banking Business in Mysore State", published in the issue of this journal dated June 26, 1970 (page 1114), it was erroneously stated that the Canara Banking Corporation was one of the 14 commercial banks which were nationalised last year. The reference should have been to the Canara Bank, which was founded in Mangalore in June, 1906. The Canara Banking Corporation Ltd, which saw the light a month earlier, also in Mangalore, is, happily, still very much in the private sector and is one of the leading banks in Mysore state. *Eastern Economist* regrets the error and apologises to the reader and also to the author of the article who was not responsible for the error.

—Editor

Apart from HSL, the other units which are making heavy losses are Heavy Engineering Corporation, Indian Drugs and Pharmaceuticals, Mining and Allied Machinery Corporation, Heavy Electricals, Bharat Heavy Electricals and Neyveli Lignite Corporation. There were actually 10 concerns which made losses of over Rs 1 crore in each case, the total loss in 1968-69 on account of these units being Rs 47.47 crores against the aggregate loss of Rs 52.81 crores for 25 units. The loss sustained by 10 units in 1968-69 was higher than in the previous year because of the poor working of Indian Drugs and Pharmaceuticals and Mining and Allied Machinery Corporation. The Heavy Engineering Corporation too added to its losses. But there were some units which were on the way to getting out of the red. With a stepping up of production by taking advantage of a growing demand for the products, the list of losing companies can certainly be reduced.

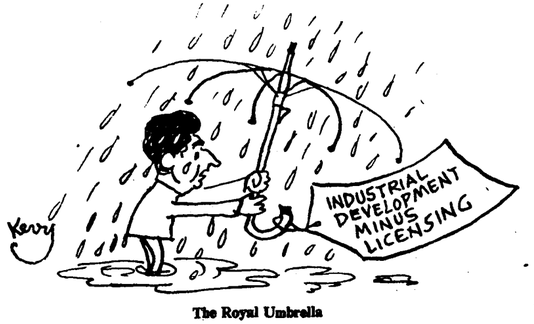
The financial position of the public sector undertakings can thus be vastly improved if there is a concentrated effort to reorganize the working of HSL and Heavy Engineering Corporation and help the heavy electrical units to turn out a large volume of heavy electrical equipment. A surgical operation is, of course, necessary for streamlining the functioning of the Indian Drugs and Pharmaceuticals and the Mining and Allied Machinery Corporation. There will probably have to be a change in the pattern of production of the drug units while the Mining and Allied Machinery Corporation should undertake other forms of activity. In the case of the heavy electrical units, it is only a question of maximising production and meeting the demand for heavy electrical equipment from indigenous sources as far as possible. As even in the second year of the fourth Plan shortages have emerged and the implementation of steel, power, irrigation and other projects has been held up due to non-availability of common and alloy steels, heavy engineering equipment and electrical machinery, the central government should realise its responsibilities and make good use of the vast facilities that exist for stepping up the output of steel, heavy engineering items and electrical equipment.

The heavy burden on the tax-payer on account of the huge losses sustained by the public sector undertakings will be evident from the fact that the government is obliged to bear fully the 'interest charges' on the equity capital of the running concerns apart from the capital locked up in units still under construction. The equity capital of 61 concerns as on March 31, 1969, was as much as Rs 1,540 crores. Assuming that the government will have to pay an average interest rate of 5 per cent on the corresponding debt representing this investment, unrecovered interest charges amount to as much as Rs 75 crores annually while there was actually a loss of Rs 27 crores. This would suggest that even for relieving the burden on the exchequer, there will have to be an improvement in gross earnings by Rs 100 crores. It may, of course, take quite sometime for the different units to declare dividends as there were accumulated losses of as much as Rs 442 crores, HSL alone accounting for Rs 167 crores. This may have increased in 1969-70 taking the total to perhaps well over Rs 460 crores as HSL is reported to have suffered again heavy losses while the other giants too might not have improved upon their earlier performances significantly. But the year 1970-71 may well prove to be a turning point in the history of the public sector undertakings if there is a sincere effort to streamline their operations and set a pace for improvement on the basis of specific financial and physical targets.

Sales Tax on Cotton Textiles

State governments could not have chosen a more inopportune time than the present to clamour for the re-imposition of sales tax on cotton textiles and the termination of the present arrangement whereby the central government collects additional excise duty in lieu of sales tax and distributes it to the states in the manner prescribed by the relevant central enactment. The textile industry has been passing through a crisis, in all conscience, in practically every state and more particularly in states such as West Bengal, where there was yet another textile strike in June involving about 50,000 workers. Reportedly, 16 mills are already closed there, throwing out of employment some 20,000 workers. Even in Gujarat and Maharashtra, where the industry once prospered, mill after mill has been turning sick, if not closing down. State governments, which thought they could do better, took over some mills and ran them, are the wiser for their experience and feeling that the more prudent course for them would probably have been to let the industry manage its own affairs and be content with only helping it to get along as best as it can. To keep things going even in the admittedly unsatisfactory way as has being done, the Maharashtra government has had to grant exemption from octroi duty to one of the mill units owned by it. And all this is due to the fact that the industry is today faced with the problem of unduly rising costs and unbelievably shrinking profits. With wages and taxes taking a preponderant share and raw material costs also claiming their soaring share, profits in the cotton mill industry have verily shrunk to a level at which to run a mill has ceased to be an economic, not to speak of attractive proposition, be it under private or public management.

Against this reality, it is hard to believe that state governments could even tolerate, let alone seriously sponsor a suggestion of the type referred to at the outset. But that is the latest hard reality that confronts the cotton mill industry, according to mill sources. Driven to the wall, as it were, mill-owners have made a detailed representation setting out the reasons for their unqualified opposition to the proposal in question. It is so well reasoned and constructive that the authorities may not disregard it. And, to ensure it, we feel, there must be a greater public awareness too of the industry's case in



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this behalf, than seems to be the case today.

Briefly put, the industry's case is that the existing system has worked all right, in that its merits have been acknowledged by such expert bodies as the Finance Commission as well as the Planning Commission. Its representation clearly establishes that, under the present dispensation, the state exchequers have greatly benefited so that they have really no cause for grouse. Finally, it insists — and justifiably so — that, if there is to be a reversion to the system that obtained before, it should be *status quo ante* complete and not one that retains all the gains but ignores all the reliefs, as it may well transpire.

The recapitulation of developments leading to the prevailing system may not be out of place here. Ironically, it is on the categorical recommendation of the same National Development Council (NDC) that has now remitted this question to a Committee of Chief Ministers to go into the question that the present system was introduced. Way back in the fifties, when state governments felt the need to minimise sales tax evasion and remove the difficulties of the trade arising from the diversity in the sales taxes of different states, the NDC raised the question of replacing sales tax by excise duty. After considerable debate, the NDC decided that sales tax levied by state governments on mill cloth, sugar and tobacco should be replaced by a suitable surcharge on union excise duties and that the proceeds thereof should be distributed to the states, subject, however, to one condition. The condition was that each state should get as its minimum share its existing collections of sales tax on these three commodities. Everybody agreed and the then union Finance Minister disclosed in the Rajya Sabha, on August 30, 1957, that the central government proposed replacing both the central and states' sales taxes on textiles, sugar and tobacco (both raw and finished product) by an additional excise duty. He added that a bill to this effect would be introduced no sooner than the Finance Commission (which had then been constituted) finalised the formula for distributing the proceeds of the said additional excise duties among the different states. The Finance Commission finalised the formula in its report laid before the Lok Sabha on November 14, 1957 and the state finance ministers, who met in New Delhi on November 18, 1957, accepted it.

Accordingly, the central government brought out a bill — Additional Duties of Excise (Goods of Special Importance) Bill on December 13, 1957 to give effect to this decision. State governments, in turn, introduced their respective Sales Tax Laws (Special Exemptions) Bills to exempt from sales tax certain goods covered by the central bill. It is noteworthy that the Bombay Sales Tax (Special Exemptions) Bill took care clearly to set out the reasons prompting the central as well as the state governments to replace sales tax by additional excise duty as follows:

> "To minimise evasion of tax and also to remove the difficulties of the trade regarding the existing diversity in the sales taxes of different states and maintenance of elaborate accounts, the Government of India, with the concurrence of the state governments, have decided that sales tax levied in states on certain mill-made textiles, sugar and tobacco, including tobacco products, should be replaced by additional union excise duties on these commodities."

Alongside of this, state governments also withdrew the concessions to the industry, which had been available until then, regarding sales tax leviable on raw materials, stores, etc., for the manufacture of finished products for sale. This unkind act actually amounted to imposing an additional tax burden and was promptly pointed out to the state government, whereupon the question was referred to a Sales Tax Enquiry Committee that had been appointed. The enquiry committee, however, did not suggest the continuance of the exemption, but only recommended separate relatively lower rates on cotton and fuel, lubricants, etc., and these recommendations were accepted by the state government and an ordinance was promulgated in January, 1959, to give effect to these. Thus ended the sanctity attached to the well-recognised principle that raw materials, stores, etc used in the manufacture of finished goods for sale should not be taxed. Worse still, even these conscessions were withdrawn in 1961, to be only partially restored after another strong protest by the industry. Today, the Maharashtra government alone raises from the textile industry Rs 5 crores per annum on account of sales tax on raw materials, stores, etc. All the states together net in, in this way, about Rs 25-30 crores from the textile industry over and above the nearly Rs 22 crores by way of additional excise duty which the centre collects. Before the system was changed, it may be noted, the states were getting a total yield of only about Rs 17 crores. Thus, the industry has been subjected to staggering taxation at the hands of both the central and state governments, as also local governments, on its manufactures as well as on the raw materials that go into such manufactures.

In view of the substantial gains that state governments have reaped already by unjustifiably withdrawing the concessions in sales tax previously available to the industry, the millowners are perfectly justified in demanding that, in the event of any switch-back to the position obtaining prior to conversion into the system of additional excise duties, they should be granted the benefit in sales tax as before in respect of their purchases of raw materials, stores, etc. Surely, the states cannot eat the cake and have it. If, unfortunately, the proposed switch-back to sales tax takes place without concessions as before, it would be a further burden on the industry. Nay, it may turn out to be the last straw on the camel's back. As it is, textile prices are high enough to attract stiff consumer resistance. Even a slight further rise that any unimaginative decision of state governments may occasion will simply not be tolerated by the consumer, oppressed as he is even otherwise by the all round price spiral. Today, state governments are being called upon to take over sick and closed mills. If they revert to a sales tax system they wisely abandoned years ago and that too without its original redeeming features, they may have to take over not only sick and closed mills but textiles stocks also of all good mills and, a little later, perhaps, the good mills themselves. They will do well, therefore, to pause and not precipitate any further crisis.

Eastern Economist 25 Years Ago

JULY 13, 1945

It is becoming increasingly clear that rapid economic development in this country can only be made possible by a tripartite agreement between India, Britain and the United States. Britain comes in because she controls our sterling resources, with which alone we can buy abroad the requisite quantity of capital goods and technical assistance. But it is not a purely economic problem. Politics is the governing factor. Had we been a self-governing country, we certainly could have used political and/or economic sanctions to recover both directly and indirectly what is due to us from Britain. We would have, at the least, got out of the sterling bloc and linked the rupee to the dollar, as Canada has done to her great profit and advantage. Imperial preference would have been abandoned. We could have effectively insisted on A-I priority on Britain's productive capacity, for has she not enjoyed, in fact enforce for the last six years, the first claim on our resources in absolute preference to even the most elementary needs of the nationals of this country?

The 'Generalist' and the 'Specialist'

DR A. APPADORAI

A RECENT press report says that the Committee of Secretaries of the Government of India has rejected the proposal (made by the Administrative Reforms Commission) to divide services into 'generalists' and 'specialists' on the plea that at higher levels it is the ability to manage that is required, not technical knowledge.

To understand the proposal made by the Administrative Reforms Commission and its reported rejection by the Committee of Secretaries, some background of the growth of public administration in recent times is essential.

Age of Specialists

Public administration in the modern social service state — or welfare state as it has developed in India — touches on a variety of matters in addition to the maintenance of law and order and protecting the state from external aggression: planning, economic administration, industrial development, agricultural and rural development administration, social and educational administration including such things as public health, family planning and youth services, export promotion and public relations. In particular, economic development is crucial to India. That is now mainly the job of the miners, industrialists, engineers, town planners, agricultural scientists, doctors, economists, statisticians and the researchers in science and other technical fields. These have hardly any voice in formulating policy as that is left to the general administration, and the proposals they make may be processed by the generalist without adequate comprehension of the issues involved. The frustrated specialist often grumbles that he is alalways "on tap" for the generalist, but his specialized knowledge is not adequately utilized. Their own solution to the problem is to accept more widely the principle adopted in the Ministry of Atomic Energy where the Chairman of the Atomic Energy Commission is ex-officio Secretary of the Ministry. The administrative machinery evolved in a "police state", they say, hardly suits the "welfare state" of our times. Professional competence must be given its due place in the administrative structure.

To concern ourselves, here, only with the top hierarchy of the civil service represented by the secretaries, additional and special secretaries and joint secretaries at the headquarters, — i.e. in the secretariat — responsible for policy making and management, it may be said that the Administrative Reforms Commission accepts this contention.

The commission says that the IAS, which is the main general purpose service, start their career in the districts but soon get dispersed to various posts which cover different functional areas. "The pattern of this Service is that of a general purpose service and at present its members are required to hold the higher posts in different functional areas in the states, in the field offices as well as the headquarters organization. This service is closely patterned on the ICS of the pre-Independence era. In view of the increasingly complex and multifarious functions of present day administration, a general purpose service will have limited scope and utility as such."

Functional Posts

To adapt the administration to present day needs, the commission recommended that senior management posts in which the knowledge of the subject matter or the function is as important as managerial ability, should be classified as functional posts; for example, posts like that of the Engineer-in-Chief, CPWD, members of the CW&PC and members of the Railway Board, P&T Board and Central Board of Direct Taxes clearly fall within the functional area. These posts should be filled up by the relevant functional cadres — technical or non-technical, as the case may be. For other posts of this kind, the necessary functional experience will be available in the all-India services, the central services, and among the specialist like engineers, scientists, economists etc. All posts in senior management should be analysed and those which require subject-matter or functional experience must be assigned to the corresponding service. Briefly senior management posts in functional areas should be filled by members of the respective functional services. Senior management posts outside the functional areas should be filled by officers who have had experience as members of the policy and management pool worked out by the commission, formed partly out of general-purpose officers. They add that the selection for senior management posts in the functional areas as well as outside the functional areas, will be made by a committee consisting of the Cabinet Secretary, the Secretary of the Department of Personnel, and one of the senior secretaries. There should be no fixed tenure in senior management posts.

We are in a position to discuss the view taken by the Committee of Secretaries to Government stated at the beginning of this article. The basic question raised is whether, at the higher management level in the headquarters of government (the secretariat), there is need for two separate cadres, hierarchies, the functional and the non-functional, or if one cadre is more appropriate.

Role of Generalist

In discussing this basic question, two points, I suggest must be borne in mind:

First, as V. Shankar points out in a note appended to the Report of the ARC, it will not be correct to underestimate the role played by the generalist in administration. Immediately before and after partition, and subsequently there have been unprecedented developments in the economic and social fields; "but for the whole-hearted co-operation and devotion to duty of the various services, particularly the old and the new all-India services, it would not have been possible to achieve, in the short period of three years, not only the ringing out of the old but also the ringing in of the new, to maintain law and order with such consummate success, to bring about unity and integration of the country and to lay the foundation of a new India. The history of those three years of quick decisions, far-reaching achievements and evolution and enunciation of broad policies in many spheres of national activity is a tribute not only to the eminent leaders in whose hands destiny placed the power and authority to work out the shape of things to come but also to the large body of civil servants and military personnel who helped them with unflinching loyalty in that task."

Second, is it quite true that in decision-making the scientist or the technologist is being ignored or is not having an adequate voice? It has been held that this may have been true a decade ago but certainly not today when the relations between the minister, the secretary to the government and the scientific or technical heads of departments

are becoming closer and closer still and not unoften a minister has direct access to the scientific or technical head of the department. It is only in the secretariat that the generalist may be said to preponderate but the dialogue between the higher levels of a ministry and the higher levels of a department is fairly close, intimate and frequent and it is not the lower strata of generalists which calls the tune.

Need for Training

The most important factors contributing to success at the higher levels of administration are a high level of intellectual ability, a continuing awareness of developments in the modern world, an eagerness to benefit from experience, a willingness to undertake risks, wide-ranging experience, intimate knowledge of departmental administration and a strong determination to achieve desired results. A pool of men drawn from the services, functional or non-functional, possessing these qualities should form the source of recruitment for the top management personnel; no separate hierarchies are necessary. This would appear to be the substance of the proposal of the Committee of Secretaries, or the Press Report referred to above adds that the Secretaries Committee has accepted the ARC recommendation on training of senior personnel. The proposal is to open an administrative college for officials who have served for more than 15 years. Even officials from technical services could be sent to this college to give them higher management skills.

Best Man for the Job

It is interesting that this view finds confirmation in the Report of the (British) Civil Service Committee 1966-68. After ably analysing the structure of the civil service as it then existed, the committee came to the following conclusion: We believe that the principle of the best man for the job should apply between civil servants of different occupations no less than between those who enter the service with different levels of educational qualification. .No posts should be the preserve of any one group, except in so far as individuals in the group may be uniquely qualified for them. The structure should enable all civil servants, whatever their back ground, skill or discipline, to make their full contribution to the work of government; in particular, scientific and other specialist staff should be able to bring their professional training and outlook to bear effectively upon today's major problems of policy-making and management. This means an open road to the top of the Service for all kinds of talent.

The Committee of Secretaries, it seems to me, is right in its reported recommendation in favour of a unified management pool, thus rejecting the two hierarchies suggested by the Administrative Reforms Commission.

Worker—Management Partnership

A CORRESPONDENT

SOME TIME ago a statement was made in the Rajya Sabha by Mr Bhagwat Jha Azad, Minister of State for Labour and Employment, that government is working out the details of a scheme to include workers' representatives on boards of directors of certain public sector undertakings and is considering how workers can be enabled to have a share in the management. Mr Azad said that the workers' representative would be one working in the undertaking, would have experience on the shop floor and could be given training in management after being nominated. Before this, the union Minister for Labour, Mr D. Sanjivayya had made a statement at one of the meetings with newsmen that government has decided to associate workers in the management of public sector undertakings by appointing an employee as director and that this was along the lines of the recommendations made by the Administrative Reforms Commission. It is rather strange that government proposes to take action on the assumption that this proposal has been recommended by the ARC, when in fact the ARC has not recommended it. To quote the exact words in the ARC report on the pbulic sector undertakings, "We have considered the desirability of including a representative of workers in the board of management. Such an arrangement, if worked in the proper spirit, can have a number of advantages. It can give workers a greater sense of partnership in the management of the enterprise and in turn the board will have the benefit of the view point of the workers. However, the experience of some other countries in this regard does not fortify us in making such a recommendation at the present stage of our socio-economic development. However the presence of a non-official member who had long and intimate experience of working in the trade union organisations would be an advantage."

To have a person with trade union experience as director is quite a different thing from taking a worker director of the particular undertaking and is less objectionable. In fact, on a few boards of public sector concerns there is already a nominee with such experience, but such a person is never a worker of the undertaking or connected with the trade union of the undertaking. In the UK also labour representatives in nationalised industries have been selected from unions unconnected with the particular nationalised industry. Recently an experiment has been made by the British Steel Corporation of having employees as directors, but these persons function in the group board other than the group in which they work. It might be mentioned here that the majority of the Royal Commission have definitely recommended against the appointment of workers as directiors. They have pointed out that such representation may be harmful.

Better Understanding

Such an office might expose its holder to an intolerable strain when decisions unfavourable to the workers have to be taken in the interests of the company as a whole. A concurring vote by the worker director might be unavoidable if he is to do his duty as a director, and yet could easily be misunderstood or misrepresented. The result might be to open a gap between the workers and the workers' director which it would be extremely difficult thereafter to bridge. In effect he would cease to represent them. Another difficulty would be to define equitably the extent to which a worker's director should bear responsibility with the other members of the board for their decisions.

Apart from these very weighty objections there are other serious objections. There are decisions of courts that the directors of a company have to function, in a sense, as trustees for the owners of the undertaking and must act in the interests of the undertaking. To introduce an element in the board with interests which, on vital matters, conflict with the undertaking would obviously be harmful. Management functions cannot be exercised by two groups with opposing interests. Worker representatives on the board would in effect have to perform two inconsistent functions. They must necessarily support the union's demand against the management in regard to union's claims for higher wages, bonus etc. (otherwise they would forfeit all confidence of the union concerned and the workers and in effect cease to represent them), and at the same time share management responsibility. The National Labour Commission and its various study groups have reported that joint management councils have not been a success. The results of having

worker directors are sure to be worse for the reasons given above, apart from the anomalous situation of pitchforking a worker in a position in which he would function as a director and at the same time work under a supervisor or manager. Worker participation in management has been tried in countries where the political and industrial system is different e.g. Yugoslavia, but such systems cannot be imported in a country where the conditions are different and where in many cases workers have to depend on outsiders for managing their own unions. It has been observed by a Yugoslavian writer, Zivan Tanic, in his book on *Workers' Participation in Management in India*, "It appears that the experiment of workers' participation in India is not only at the lowest level of evolution, but also that workers, unions, employers do not have any real interest in its success. The necessary economic, social, political and cultural conditions concomitant to the success of the experiment are not ripe in India."

Industrial Co-partnership

Coming now to the other proposal to make workers shareholders there has been no demand for such schemes from organised labour nor has the National Labour Commission recommended any such schemes. The Royal Commission on Labour has in its recent report stated that such schemes cannot be an acceptable substitute for the reform of industrial relations and that schemes of of this kind have suffered in trade union eyes from a suspicion that they have been designed to attract the loyalty of workers at the expense of the unions. Such schemes referred to as "industrial co-partnership" have made little progress even in the western industrialised countries. English and American writers who have written on the subject have commented on the high death rate of such schemes.

There is, in this country, already a profit sharing scheme under the Payment of Bonus Act by which 60 per cent of the desirable surplus from out of the profits, after deducting certain prior charges like depreciation and minimum return on capital and reserves, are allocated to the workers, subject to a minimum and maximum. The system, instead of promoting any feeling among the workers of partnership in industry, has frequently given rise to acrimonious disputes, strikes and litigation. There is no reason to suppose that an additional scheme of giving shareholdings to workers would achieve what the profit bonus system has failed to achieve. The Bonus Commission also conceded that the profit bonus sytem has little incentive effect and that incentives to efficiency can operate only under properly conceived production bonus schemes which establish direct relationship between productive efficiency and higher earnings. It is desirable that the Labour Ministry should not experiment with dubious schemes like taking workers as directors or giving shareholdings to workers, in the public sector. The public sector has not been giving adequate returns to the community and schemes like these are likely to prove further handicaps to the public sector, and will not evoke any more sense of service of the workers to the community, which is the employer, than the large expenditure on any townships and welfare expenditure, in the name of the public sector being a "model employer", has done.

West Bengal's Cry of Distress

P. THANKAPPAN NAIR

ACCORDING TO a study undertaken by the Indian Chamber of Commerce, West Bengal accounted for 28 per cent of the country's industrial production till 1948. The figure came down to about 14 per cent in 1967. While the total growth rate of industrial income for all India was five per cent per annum between 1960-61 and 1967-68, it was 2.7 per cent in West Bengal. It was as high as nine per cent in some other states. There has been a definite trend of fall in production in various industries in the state during 1968 and 1969. (Table I)

As against the increase in all India income by 26 per cent during 1960-61 to 1967-68, West Bengal's income is estimated to have risen by about 18 per cent. It was between 32 per cent and 59 per cent in certain other states. The per capita income in West Bengal at 1951-52 prices was Rs 329 in 1966-67, Rs 342 in 1967-68 and Rs 334 in 1968-69. (Table II)

For the whole of India agricultural income during 1960-61 to 1967-68 increased by 10 per cent. The increase in West Bengal was 5 per cent. In Punjab, Gujarat and Rajasthan the growth rate was as much about 30 per cent.

Most of the states are having substantial increase in the outlay for the fourth Plan. For example, the outlay in Maharashtra's fourth Plan was increased, as compared to the third Plan, from Rs 433 crores to Rs 898 crores. For Tamil Nadu the corresponding figures increased from Rs 342 crores to Rs 519 crores. For West Bengal the increase has been only Rs 17 crores. This is indicative of the fact that a higher rate of development is not visualised in the state.

In industrial relations West Bengal presents a miserable picture. Out of 16.6 million man-days lost in the whole of India in 1969, West Bengal accounted for over 10 million. (Table III)

The faith in bipartite and tripartite negotiations through government machinery has been completely shaken due to widespread violence and coercion. A large number of factories have remained closed throwing out of employment several thousand workers and nothing so far has been done to make the closed factories viable and to reopen them. The backlog of unemployment in West

TABLE II

INCOME AND PER CAPITA INCOME IN WEST BENGAL

	State Income (at 1951-52 prices) (Rs crores)	Per capita income (at 1951-52 prices) (Rs)
1966-67	1,306.8	329
1967-68	1,386.8	342
1968-69	1,382.1	334

TABLE I

PRODUCTION IN SELECTED INDUSTRIES IN WEST BENGAL

Items	Unit	January 1968	June 1969
Jute textiles	Lakh metric tons	5.8	4.3
Paper	Million Kgs	66.5	33.5
Matches	Million gross boxes	4.1	3.5
Sulphuric Acid	'000 metric tons	49.4	39.3

Bengal was 1.5 million which is spurting to 3 million at the end of the fourth Plan. Job opportunities in the private sector in 1969 were estimated to be 24 per cent less than in the previous year. While the average daily employment in factories in all India increased during the last three years, it came down in West Bengal from 840,000 in 1966 to 817,000 in 1968.

TABLE III

WORK STOPPAGES AND MAN-DAYS LOST

	Stoppages	Workers involved	Man-days lost
		('000)	('000)
1967	438	165	5,016
1968	417	263	6,723
1968 (Jan-Sept)	360	228	5,518
1969 (Jan-Sept)	710	645	8,549

At the end of the third Plan the backlog of unemployment in West Bengal was 1.5 million which is going to be 3 million during the fourth Plan at the current rate of employment opportunities. According to Employment Exchange figures, job opportunities in the private sector in 1969 were 24 per cent less than in the previous year. The figures of the average daily employment in factories are given in Table IV which show the declining trend of the employment in the state.

TABLE IV

AVERAGE DAILY EMPLOYMENT IN FACTORIES

('000)

	West Bengal	All-India
1966	840	44,84
1967	832	45,23
1968	817	45,23*

*Provisional.

Over half a million people are added to the ranks of the unemployed every year in the state. There is also the influx of refugees and job seekers from other states. Land in West Bengal is limited. The only solution is to find jobs in industry and in building activity such as house and road construction badly needed in the state. The problem is so vast that at least 200,000 people should find jobs every year in industry. Employment of the above scale in industry will call for large-scale productive investment which may be anywhere to the tune of Rs 300 to Rs 400 crores per year. The figure may appear large but is not impossible to achieve considering the fact that during 1962 to 1966 the investment of productive capital in West Bengal averaged around Rs 180 crores. It was between Rs 230 crores and Rs 240 crores in 1962 and 1965. If conditions in the state had remained normal this investment would have progressively increased. But, capital has now become extremely shy in the state and is progressively moving out to other parts of the country. This poses the greatest challenge and calls for a climate of confidence in industrial and business activity and positive efforts to attract capital and enterprise in the state.

Basically the factor that conditions investment is a climate of confidence. During recent years such a climate has not existed in the state. Violence and coercion in industry and lack of law and order have done much damage to the industrial and investment climate in the state. Only so long as there is peaceful industrial climate and the rule of law prevails that industry and enterprise can function effectively and expand. Even during the President's rule, when confidence was gradually reviving, there have been several instances of violence

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and coercion. Residences of managerial personnel have been raided and gheraos have taken place, and people assaulted without any timely assistance from the police. Deterioration of law and order, lack of personal security and gheraos and coercion cannot help to revive confidence. It is strange that even when the courts have declared gheraos illegal there is no protection against them without a court order. This whole process undermines confidence in law and order. Many cases of violence and gross indiscipline during recent months have led to the closing of factories and offices and more and more people have been unemployed. Such a situation can only bring about more chaos, discontent and frustration.

There is continued dislocation of work in many important commercial establishments in the city. The indiscipline combined with coercion and violence in some of the big commercial establishments is creating a situation wherein shifting of head offices of such concerns from West Bengal may become inevitable. Many of these big head offices are managing industries not only located in the state but also in other parts of India. The continued dislocation is naturally affecting such industries elsewhere also. This has compelled business houses and trading firms to think in terms of shifting their officers outside the state. There are indications that such a shift is already taking place and would gather momentum if the situation does not improve in the state.

Shifting of Industries

If the head offices of firms shift out of the state it will have serious repercussions on the future industrial and commercial activity in the state itself. The impact of this will also be felt by the existing industrial establishments in the state. They will not be well looked after once the head offices shift outside the state.

After all, Calcutta is the largest distributing centre of all type of commodities in the eastern region. There are indications that even the wholesale trading activity is shifting out of the state which will have its impact on the state's economic activity and employment opportunities.

There is no declining trend in investment in West Bengal and as far as the number of applications for industrial licences are concerned it will be seen that there had been an improvement in both 1968 and 1969, Mr Fakhruddin Ali Ahmed, Minister for Industrial Development and Company Affairs stated in the Rajya Sabha recently. According to the Minister, 202 applications for setting up new units, substantial expansion and carrying on new business in the state were received during the last three years (1967-69) and 245 licences, including those pending from the previous years issued during this period. The largest number of applications (110), Mr Ahmed said, was received in 1969. Mr Ahmed also placed a statement showing the production figures in selected industries in the state in 1968 and 1969. The statement showed that out of a total 44 industries, 27 recorded an increase in production in 1969 over 1968. In the remaining 17 industries, production declined in 1969 from that in the preceding year. The fact of the matter is that in terms of actual investment there has been a decline in the number of registration of new companies and capital invested in West Bengal as compared to Maharashtra. (Table V)

Lions Share by Maharashtra

Maharashtra claimed the lion's share in the investment during last three years as the all India figures for registration of new companies during 1966-67, 1967-68 and 1968-69 were 1021 (Rs 100.7 crores), 1035 (Rs. 107.4 crores), and 1,102 (Rs 181.0 crores) respectively, the figures in brackets indicating the total authorised capital. While Maharashtra was geared up for an investment of about Rs 900 crores in the public sector and Rs 500 crores in the private sector during the remaining period of the fourth Plan, the West Bengal programme called for an investment of only Rs 322 crores for its public sector and a negligible amount for the private sector.

West Bengal has large potential for industrial growth provided positive and helpful steps are taken in this direction. During recent years while all other states had offered liberal incentives to attract industry and enterprise by giving various concessions, nothing has been done in West Bengal. Many progressive states have set up autonomous organisations like SICOM in Bombay to attract entrepreneurs. Ministers and other officials have gone round the country wooing businessmen and attracting new entrepreneurs. In West Bengal no such steps have been taken and little effort is done to reopen the closed factories and make them economically viable.

Wanted a New Approch

The political parties have to appreciate that if, in West Bengal, industry does not expand and is unable to become competitive and efficient it will be slowly eliminated as other states are developing faster. At present West Bengal's industry is not receiving adequate orders from other states due to its failure to maintain delivery schedules. Even central government agencies are reluctant to place orders. Ultimately, whatever be the complexion of any political party in power, the needs of the people have to be met in terms of higher incomes, more jobs and a more contented existence. This could not be achieved by any agitational approach, but by positive efforts to build new industries and expand industries in a peaceful industrial climate and maintenance of law and order. A substantial portion of production in West Bengal has all along been exported to other states and to other countries. The climate of violence and coercion in the state is bound to weaken her industrial structure permanently.

The late Dr B.C. Roy wanted to make Durgapur the Ruhr of India and planned the township accordingly. Giant industrial undertakings in the public and private sectors such as the Durgapur Steel Plant, Mining and Allied Machinery Corporation, Fertiliser Plant, West Bengal's Durgapur Projects Ltd are operating there. The expansion of the region has not kept pace with the massive investment and infrastructure created. The Planning Commission recently asked the Indian Chamber of Commerce to ascertain the reasons for stagnation of this region as areas with much smaller investment and

TABLE V

REGISTRATION OF NEW COMPANIES IN WEST BENGAL AND MAHARASHTRA

Year	West Bengal		Maharashtra	
	No. of new companies	Authorised capital (Rs crores)	No. of new companies	Authorised capital (Rs crores)
1966-67	244	20.9	226	26.7
1967-68	213	19.7	249	40.7
1968-69	219	9.0	262	110.9

far less facilities than Durgapur have been able to prosper steadily.

Industrial circles feel that the unhelpful labour situation and indiscipline in Durgapur had shied away many prospective investors. The high cost of electricity and fuel, high land prices, lack of internal transport and communication facilities and a tremendous shortage of housing have not only acted as dampers, but have whittled the nascent growth of the region. Frequent power failures are a serious cause of hardship.

There has been no balanced growth of industrial development in Durgapur. Apart from the heavy engineering units which were operating, there are hardly any other processing industries and a vast field of chemical and coal-based industries has not been tapped at all. Moreover, entrepreneurs do not find any particular advantage in locating their units in Durgapur as no incentives are given to attract them to this region.

The Indian Chamber of Commerce has suggested to the Planning Commission to appoint a small team to go into the various problems and make some effective recommendations so that Durgapur's industrial growth could be stepped up. The chronic labour indiscipline in the steel plant with its repercussions on other units have greatly undermined business confidence and created a bad image of Durgapur.

While other state governments such as those of Gujarat, Maharashtra and Haryana, are making consistent promotional efforts to attract investors in such regions in which they want development and industrialisation, nothing had been done to attract investors to Durgapur. The Mining and Allied Machinery Corporation, which has incurred a loss of Rs 20 crores so far, is on the verge of closure. The Durgapur Steel Plant is the sick child of Hindustan Steel. All this is due to the unhelpful labour situation and unless something is done the future of Durgapur is doomed.

The port of Calcutta must be ready to welcome giant containerships, roll-on and roll-off carriers and LASH ships in the years ahead. The available draft is not sufficient for giant cruisers. Haldia is being developed as a satellite port of Calcutta with facilities for containers, roll-on and roll-off and LASH. Work is in progress. The industrial growth of Haldia should not lag behind. Work on the refinery and a petro-chemical complex is in progress. The work of the planning and developments of the region is to be accelerated as considerable time had been lost in planning the blueprints for industrialisation.

The petro-chemical complex in Gujarat has completely changed the face of the state. Haldia offers similar opportunities provided the necessary infrastructure is created and there is revival of confidence in economic activity in the state. Haldia could provide the nucleus for the expansion of a large number of other industries.

Industrial circles in Calcutta have urged the Government of West Bengal to appoint an officer on special duty to co-ordinate all activities relating to Haldia's development, ironing out technical problems and formulation of workable schemes. They feel that a professional firm of consultants should be appointed to work out details, make out blueprints and project reports, and an advisory committee of businessmen should be set up to provide guidelines for growth and development of new industries in Haldia.

Setting up of a free trade zone in Haldia to encourage setting up of processing and re-export industries in the zone for which it had great potential, particularly for augmenting exports from eastern India to ECAFE region countries, has been urged. If a free trade zone is established in Haldia it would also attract foreign collaborators for re-export in which many developed countries are interested. It is desirable to lay stress on the availability of water and power at Haldia at cheaper rates.

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WINDOW ON THE WORLD

Report In Depth On The EEC—III

JOSSLEYN HENNESSY

I

UNITING EUROPE WITH MONEY

LONDON:

MONETARY UNION is an aspect of integration in the European Communities almost wholly neglected in the EEC Treaty. There is a clause about co-ordination of monetary policies of member states (Article 105), an injunction to treat for mutual financial aid in the event of balance of payment difficulties. And there are the blanket clauses in the preamble about promoting efforts in the direction of unification, but no objective in the monetary field is spelled out as precisely as is that of the customs union.

The drafters of the Treaty became quickly aware that currency, exchange rates, and the imposition of some form of central monetary authority would be a subject of utmost sensitivity, had there been any attempt to plan for integration of these matters from the start. The Treaty was an attempt, after the platform of a common defence force had failed, to set in motion the unification of a group of west European countries on the platform of a customs union, a common agricultural policy, and harmonisation of other economic policies. The absence of specific monetary powers from the Treaty is not therefore taken by advocates of a federal Europe as detracting from the case for monetary integration. It does, however, make it more difficult to chart the ground ahead.

EEC Ready To Co-operate

The advocates of monetary co-operation are now on the up and up. Steps towards monetary union have been taken with remarkable rapidity. Last July, the EEC governments agreed to establish lines of reciprocal drawing rights which would be automatic in the event of financial crisis, and also agreed on prior consultation with other member states before any country introduced short-term economic measures that could affect other members.

The reciprocal drawing arrangements went little beyond what already exists among the Group of Ten (nor was the limit agreed, $2,000, million, especially large in relation to sums advanced in the framework of the wider grouping) and the latter merely lent precision to an obligation already set forth in the treaty. However, the Commission regarded these steps as only a beginning.

By January, 1970, the ministers had before them the Commission's outline for economic and monetary union. At the meeting on February 24, the finance ministers agreed on the essentials: the Community should acquire some form of common monetary organisation, and adopt common positions in international monetary discussions, especially in the International Monetary Fund; exchange rates amongst member states should become fixed in so far as possible; eternal reserves should be jointly administered in some way or other; and there should be a common currency, in some sense of that term.

This accord was suitably vague, but not non-committal. There obviously remained differences over the practical steps to be taken, and especially over timing. But as a result of it, and of the recent agreement on the financing of the Community budget, the people of the six member states have been taken more irrevocably along the path to federal union than by any of the measures already taken.

Essential Strategy Agreed

At the same time, various proposals for routes towards monetary integration were presented by the West German Minister of Economics, Dr Karl Schiller, by Luxemburg's Prime Minister and Finance Minister; M. Werner, by the Belgian Finance Minister, Baron Snoy et d'Oppuers, and by Sig. Colombo. But not — and we will explore why later — by the French Minister M. Werner was entrusted with the Chairmanship of a special committee to reconcile these plans and the Commission's proposals, which the Council were expected to have completed by now. The differences between them are not such as to require detailed enumeration here, though some specific differences will be examined where they arise. The main point is that the essential lines of strategy appear to have been agreed — unlike, for example, the situation at the comparable phase of development of the common agricultural policy in the nearly 1960s.

The recent surge of proposals from member countries might easily obscure the fact that the Commission (whose latest proposals, it should be said to keep the record exact, were formally presented two weeks after the February 24 ministerial meeting) has been the prime mover in monetary integration, against a background of indifference or worse from most members during the Community's development until recently. The Commission has been working on plans for monetary integration ever since 1962, when M. Robert Marjolin presented ministers with an outline which differed little in basic principles from the ideas discussed during the past year. The departure of President de Gaulle from the political scene has doubtless helped he Commission to overcome its fears of being trampled on from on high, though by that time it had already presented a discreet, ground-exploring version of its plans, early in 1968.

This is the Commission at its most political. M. Raymond Barre, Vice-President for Monetary and Economic Affairs, made this clear in a speech in London (at a conference sponsored by the Federal Trust) in the summer of 1969: "in order for a European Monetary Union to exist, for a European currency to be accepted both within and without the Community, and for there to be a joint policy for reserves, there must .. be a European monetay power, and this means a European political authority expresing joint objectives and putting in to practice suitable policies.. The monetary field is, and remains, closely linked to the sovereignty of states, and the latter do not appear to be willing for the moment to give up their prerogatives in this field. European monetary union can only be a crowning achievement of economic union."

II

ACTION PLANS

Events have shown, however, that M. Barre and the Commission are not prepared to wait for economic union to happen first. Broadly, the order of events envisaged is:

The system of mutual financial credits already agreed would be reinforced by mandatory consultations on monetary and economic policies, along with more closely co-ordinated economic forecasting and agreement on short and medium-term targets. The EEC monetary committee will review closely the performance of countries which make use of the support facilities. Changes in exchange rate parities would become forbidden except by consent of other members. The lines of mutual financial assistance would be formalised into a European reserve fund, which would help to restore equilibrium in a country which might otherwise feel

obliged to devalue. During this process, the normal margins by which market rates of exchange are allowed by central banks to fluctuate on either side of parity would be eliminated, by stages, at least so far as variations among member countries are concerned.

Fiscal harmonisation and the removal of barriers to capital movements among members would be completed: January 1, 1978, is the Commission's target for this; the elimination of intra-Community variations in exchange rates is to be completed "about 1978". Finally, the committee of central bankers would be welded into a governing board of a federal reserve system, with the reserve fund — having been gradually built up out of transfers from member states' reserves — placed at its disposal and a common currency unit phased in by 1980.

Towards Political Integration

Although there is no mention of any transfer of economic policy-making power from the member governments to any central political authority, it is evident that the power of the member states will be have been substantially reduced even before such a programme is ever completed. Ruling out exchange rate changes limits policy options severely and places states which deviate relative to the Community as a whole in the position either of depressed or of over-prosperous regions, whose problems must be dealt with by structural policies for such regions, including financial aid.

The establishment of a federal reserve system, without a corresponding political authority, would create an imbalance of economic policy-making power which would need to be corrected. The programme, therefore, leaves a vacuum where central economic policy-making authority would be expected to exist. It is unlikely that such a vacuum would be allowed to remain unfilled for long. Monetary integration is the forcing-house for a constitution for a future Community government.

5¾ PER CENT STATE GOVERNMENT LOANS, 1982.

Fifteen State Governments have announced the issue of their new loans bearing interest at 5¾ per cent per annum for amounts aggregating Rs 142·50 crores as under :-

Serial No.	State	Amount of Laon (In crores of Rs.)	Issue Price per cent
1.	Andhra Pradesh	12·00	100·00
2.	Assam	3·75	100·00
3.	Bihar	5·00	100·00
4.	Gujarat	16·00	100·00
5.	Haryana	4·50	100·00
6.	Kerala	6·00	100·00
7.	Madhya Pradesh	7·00	100·00
8.	Maharashtra	19·25	100·00
9.	Mysore	10·50	100·00
10.	Orissa	6·00	100·00
11.	Punjab	5·25	100·00
12.	Rajasthan	6·00	100·00
13.	Tamil Nadu	16·50	100·00
14.	Uttar Pradesh	13·75	100·00
15.	West Bengal	11·00	100·00
		142·50	

All loans will open for subscriptions on Wednesday, 15th July 1970 and close on Tuesday, 21st July 1970 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent. in excess of the notified amounts.

The loans will be redeemable at par after 12 years i.e. on 15th July 1982 and interest will be paid half-yearly on 15th January and 15th July each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments :-

Serial No.	Name of the loan tendered for conversion	Name of the new loan issuable.
1.	4¼% Andhra Pradesh State Development Loan, 1970.	5¾% Andhra Pradesh State Development Loan, 1982.
2.	4¼% Bihar State Development Loan, 1970.	5¾% Bihar State Development Loan, 1982.
3.	4¼% Kerala State Development Loan, 1970.	5¾% Kerala State Development Loan, 1982.
4.	4¼% Madhya Pradesh, State Development Loan, 1970.	5¾% Madhya Pradesh State Development Loan, 1982.
5.	4 % Bombay State Development Loan, 1970.	5¾% Maharashtra State Development Loan, 1982.
6.	4¼% Bombay State Development Loan, 1970.	5¾% Maharashtra State Development Loan, 1982.
7.	4¼% Mysore State Development Loan, 1970.	5¾% Mysore State Development Loan, 1982.
8.	4¼% Orissa Government Loan, 1970.	5¾% Orissa Government Loan, 1982.
9.	4¼% Rajasthan State Development Loan, 1970.	5¾% Rajasthan State Development Loan, 1982.
10.	4¼% Madras Loan, 1970.	5¾% Tamil Nadu Loan, 1982.
11.	4¼% Uttar Pradesh State Development Loan, 1970.	5¾% Uttar Pradesh State Development Loan, 1982.
12.	4¼% West Bengal Loan, 1970.	5¾% West Bengal Loan, 1982.

Interest on the maturing securities accepted for conversion will be paid at the existing rate i.e. 4% in the case of 4 % Bombay State Development Loan, 1970 and 4¼% per annum in the case of other maturing loans upto and inclusive of 14th July 1970.

Applications for *all the loans* will be received at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort & Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the branch of State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the respective States* as follows :

(*i*) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work.

(*ii*) Branches of the State Bank of India at places where there is no branch of its subsidiary Banks conducting Government treasury work.

Applications for Kerala State Development Loan will also be received at Treasuries and Sub- Treasuries in the State of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting Government Treasury work.

Applications for Punjab and Haryana State Government loans will also be received at the State Bank of India, Chandigarh.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

Applicants tendering applications at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will, in the event of over-subscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may still be open for subscription. To avail themselves of this facility, the applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form alongwith their application .

III

POLICY CO-ORDINATION

Harmonisation of economic management is the step in the programme that is already established custom. The Commission analyses, forecasts, and expresses judgements on errant governments, and the monetary committee badgers and cajoles errant members. Later this year, the medium-term economic committee is to present a new five-year Plan in which for the first time common guidelines for economic growth will be laid down. If the Council adopts this plan, the member governments will be expected to adhere to the agreed rates of expansion.

The short-term financial assistance mechanism, although only passing immediate importance as a solution to payments crisis (quite apart from the relatively small amount fixed, one might consider how it would work in the entirely plausible situation in which every member, except, say, West Germany, was in deficit: the only Community assistance feasible would be bilateral aid from the Germans), is of significance mainly as a tool to assist the monetary committee in confrontations of this kind.

However, enlargement of this facility, and supplementing it with credits of longer duration, alters the situation, particularly in a context of rigid exchange rates. The body which dispenses these will not only have a function of providing balance of payments assistance; it will also be a lender of last resort to member central banks. Thus by degrees, without any qualitative change in the proposed arrangements, enlargement and extension of these facilities will be a move towards endowment of the Community with a super central bank, in fact if not in name, even before a "federal reserve board" is formally set up.

Uniform Rates

The proposals to unify exchange rates have proved the most controversial of all, at a fairly rarefied level, particularly in the context of possible wider membership including the UK. Even in that of the existing membership, a number of voices have been raised against building rigidity into the pattern of exchange rates, except at the final stage of integration. Sig. Guido Carli, Governor of the Bank of Italy, and Dr Otmar Emminger, Vice-President of the Bundesbank, have both publicly expressed views contrary to those of the Commission. Nevertheless, the finance ministers, with the exception of Sig. Colombo, do not appear to have had similar misgivings.

No doubt this situation is not altogether unrelated to the political opprobrium attached to changes in exchange rates, at the receiving end of which a finance minister inevitably stands first. There is also, of course, the difficulties for the common agricultural policy that changes in exchange rates cause.

When a member country's rate is devalued, its farm produce prices, agreed under the Common Market intervention support arrangements, must rise in terms of its own currency. This creates an incentive to switch resources into agriculture from other uses in that country (not a large incentive, however, when calculated net of other devaluation induced increases in costs). Conversely, upvaluation caused prices expressed in Deutschmarks to fall. Both the French devaluation and the West German upvaluation last year necessitated bridging arrangements to mitigate the consequential changes in farm produce prices. The Commission is seeking an early termination of these, but its prospects of success do not look bright. At one time, before the inevitability of last year's rate changes became apparent, some comment written not a thousand miles from Commission offices was to the effect that the common agricultural policy had in fact put an end to parity changes among member states.

SOURCES AND ACKNOWLEDGEMENTS: This is the third of four articles reporting in depth on the profound changes taking place in the EEC. These articles summarise, by special arrangement, an esclusive report in the May issue of *European Trends*, published quarterly by the "Economist" Intelligence Unit, 27 St. James's Place, London, SWI, but the EIU is responsible neither for the emphasis of my summary, nor for my comments based on a variety of sources.

Next week's final article will discuss uniform exchange rates, British attitudes, the problem of the sterling balances, a Community reserve currency, and a common Community currency unit.

Changes in the World of Oil and Gas

H. R. VOHRA

WASHINGTON:

THE BUBBLING cauldron of oil is full of "toil and trouble." It always has been but, perhaps, never more than now.

When one thinks of oil, one inevitably turns to the Arab countries bordering the Mediterranean, the Red Sea and the Persian Gulf. How oil came to be concentrated that is not my story. I am concerned with figures and their meaning in today's context.

This area has over 62 per cent of the total world oil reserves and some 70 per cent of the non-communist world's reserves and all the new finds in Alaska and the Arctic Ocean have not materiaally altered these basic proportions. That is why the US and her western allies must walk in step in relation to the Arabs, never annoying them so much that they would withhold supplies for any length of time.

Conversely, the Arab countries who have tried a boycott of their customers out of passing rage have been compelled to realize that they too have nowhere to turn. In the 1967 war, sentiment was simulated against the US and Europe. Oil supplies were suspended. Then it dawned upon the Arabs, quickly enough, that they could not sustain their perenial war without perennial trade in oil.

Saudi Arabia, one of the biggest reservoirs of oil, told his unbelieving cohorts that if it was to finance the economy of needy Arab countries, in the forefront of the fight, then it must be allowed to make money. The concession was made without hesitation.

This does not mean that oil, mixed with politics, cannot be an instrument of great damage to the economies of the "free world." Hatred can swell again and, if it does, it may lead to illogical and self-destructive behaviour. Nations also indulge in self-flagitation or self-immolation. And when hatred mingles with frustration on the field of battle or on the negotiating table, it can be expected to do many strange things.

This stage may be reached if the US gives phantoms to Israel, thus postponing, if not demolishing, the Arab hope of military victory in the next round. The fear was echoed a few days ago by a senior oil executive. He said: "For the first time in my 20-year involvement in the Arab world, I am afraid for the lives and the property of our employees."

This forecast, one hopes, is an exagge-

ration but what has happened is this:

(a) The Algerian government has nationalized the properties of four American and European companies. This has made a clean sweep of Philips Petroleum Company, a member of the Royal Dutch Shell group, a West German company and an Italian company.

(b) The Iraqis have welcomed this step and called upon all Arab countries to follow suit to exterminate the influence of "international oil cartels."

(c) Libya has come up with an order reducing production of a joint venture of Texaco Inc, and the Standard Oil Company of California. A similar demand has been made on the Occidental Petroleum Corporation.

(d) Libya has also blocked the loading of two tankers built by the Standard Oil Company of New Jersey to export liquefied natural gas to Spain and Italy.

As will be seen, not all these steps sound rational and one would imagine, they are not in the economic interests of the countries concerned. It is also to be noted that they do not originate in countries where Palestinian influence is greatest. Oil watchers wonder what would happen in other countries where extremist Arab influence is growing.

Interdependence

Mr Levy, an oil economist, is also worried. "Even if the Arab governments want to play it cool, there is now a very real question, whether they can."

All this would tend to prove that the Arabs and the western world are linked by oily bonds which, normally, are strong and, if snapped, even temporarily, can hurt both sides. Hitherto even a brief interruption could have harmed the economy of Europeans as well as Americans . This may no longer happen as severely as in the past. The west has acquired new sources of oil which could sustain its economy for at least, some months.

The new source, nearer Europe, is the discovery of two oilfields in the North Sea. The other is the oil find in the frozen north slope of Alaska. Jointly the two discoveries can reduce the political and economic pressures of the Arabs on the west.

The full dimension of the North Sea find is not yet known. The picture will be clearer later this summer. The find is expected to total about seven to 10 billion barrels of oil. This is estimated to yield 1.5 million barrels a day against Europe's current daily needs of about 11.5 million barrels. Should these estimates turn out to be correct, Europe would gain some independence of the Arab oil.

Oil men generally are cautious. They have been badly smitten by recent experience. Murphy Oil Corporation recalls that it found oil near the south-east coast of Britain three years ago in a well which yielded 4000 barrels in four days. But that was all the oil there was. The Philips group also had a false alarm. In 1968, it discovered a field only 42 miles north-west of the latest discovery in North Sea. Later, its hope cooled off.

New Sources

The two fields in North Sea have sent tremors of joy in Norway, now a dependent on the world oil market, and the Nethrlands which hopes to start producing massive amounts of oil for the Common Market. In the US the echo of the discovery has been heard. It means that the tankers chartred to haul oil in the middle East for Europe will be freed for other areas. It could also help reduce the haulage charges. The Alaskan discovery is promising but its development is bogged in legal disputes. Alaska recently voted to finance a 120-million highway across 370 miles to the North Slope. Its purpose was to haul riches of the north, described as "the hemispheres biggest oil strike."

The legislature, unfortunately, did not guarantee that the road would run parallel to the pipeline which the oil companies will be buidling to transport the oil. The oil companies which were to pay a part of the cost of the road have, therefore, turned down the participation. This difficulty can be overcome as between anxious legislators wanting to see their state develop and the oil-men keyed to make money.

There is, however, another obstacle which arises from the concern of scientists and conservationists who forcsee that the pipeline would disturb the ecological balance of the area. Law suits have been filed to block the start of the pipeline. Thirdly, there are the Alaskan Indians who not unnaturally, have put in their claims for their lands over which the pipeline would run. The pipeline has become a dead issue for months to come.

While these discoveries, when developed, will add to the world's sources of oil, there is also a growing sentiment against the use of oil which may, in time, begin to affect its production. It stems from the genuine belief that industrial progress which owe so much to oil had better slowdown so that the price man pays for progress may be studied.

When oil is burned for heat or exploded in engines, it pours deadly and persistent poisons into the atmosphere. One has only to walk in the streets of New York or any other big town of the US to experience what this means.

When it spills into sea, it poisons the water as it happened off the southern coast of England. When it spouts uncontrolled in the ocean, as it did off the coast of California, its effect can be a deadly mess. The new techniques of off-shore drilling have created vast floating islands of oil both on the western and eastern shorelines of Canada and the US dealing death to shore and marine life. These developments have aroused politically strong and vociferous elements against off-shore drilling. They fear that the whole of the US coastline could be besmeared with oil if oil wells burst as they have so often done should off-shore drilling enlarge.

The *Evening Star* has suggested withholding further off shore leases and cancellation of existing leases. "This policy," it says, "should apply until improved drilling technology and clean-up methods have been developed and proved." There is also furious search for a new type of car, run on a self-generating battery, instead of oil. Nearly every big car manufacturer is in the race for the electric car.

Here is a mix of changes and developments whose effect is bound to be felt in the years to come.

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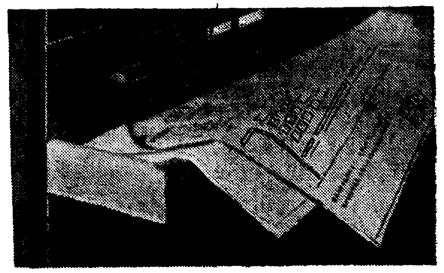

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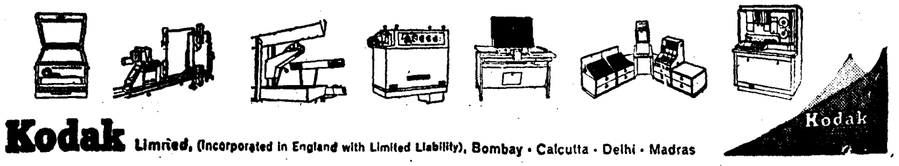

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The moving finger writes

THE "POLARIZATION" of political parties, for which many of us have been nursing more than a sneaking partiality, now seems to be on its way. In the circumstances of our country, it is inevitable that there should be a plurality of parties and the best that can be hoped for, therefore, is that these parties will be able to come together in a few major groupings which could assist in the formation and functioning of stable and effective governments, particularly at the centre and in the larger or more strategic states. It has been obvious all along that the first requirement of this polarization would be the splitting up of the ponderous Congress Leviathan and, thanks to Mrs Gandhi, this condition has been amply met. This may not be the least of the debts which the country may come to owe to its present Prime Minister.

In the nature of things, the initiative for this polarization could have openly come only from the "official" Congress since the "rebel" Congress is in the more or less happy position of being able to manoeuvre or manipulate from behind a "purdah" of power. But, once the the "official" Congress has declared its intentions, the "rebel" Congress must follow suit since a general election, which has to come late in 1971, if it does not come early in that year, has already begun to cast its shadow even on day-to-day politics. I, therefore, expect the political resolution of the "official" Congress, passed at the recent session of its AICC, to be the beginning of an exciting series of developments leading to a desirable clarification of the pattern of party politics.

I like the deliberate manner in which the "official" Congress has chosen to move towards an alliance with such other political parties as may be able or willing to work with it for certain broad objectives. The relevant part of its political resolution is reported to have been drafted after discussions with the leaders of the Swatantra Party and the Jan Sangh. If this is true, the leadership of the "official" Congress deserves to be congratulated on having followed a sound, sensible and perfectly respectable course since an invitation to an alliance will be responsible politics only if the broad terms of this invitation are likely to be acceptable to those to whom it is addressed. At the time of writing, the Swatantra and Jan Sangh responses have been constructive, even if guarded, and the prospects seem to be bright where a working arrangement for co-operation among the parliamentary groups of these two parties with the parliamentary group of the "official" Congress is concerned. The possibilities of certain other parties or sections of those parties also being attracted towards this scheme also seem substantial.

The experiences of the various "United Fronts" in West Bengal and Kerala as well as the history of the coalition ministries in some of the other states in the period since the last general election have an obvious lesson for the leaders of the "official" Congress who will do well to study it most carefully. It is absolutely essential that an alliance, to be really viable, should involve the contracting parties in an agreement on a sufficient number of important issues or programmes. It is not less necessary that this agreement should be reached not in the course of short-term tactics for building up a majority in a legislature or forming a government, but as a result of frank and detailed discussions for reconciling effectively as many as possible of the more important differences in the policies and programmes of the parties concerned. Should the "official" Congress, the Swatantra party and the Jan Sangh succeed in forming a parliamentary bloc, along with such other groups as may join them, it should be the starting point of this process of working out a cohesive and coherent common political programme well ahead of general election day.

Meanwhile, let us marvel at the utterly magnificent waywardness of the political tide, which has gathered together and flung on a common political beachhead such an odd assortment of personalities as Rajaji, Mr Kamaraj and Mr Morarji Desai, not to speak of Mr Masani and Mr Madhok. There is, surely, something divinely impressive in the surge of political forces or sentiments which has swept over these men and made them sink their intellectual and temperamental differences for a common cause. Only the highest sense of patriotism or the most cynical opportunism could have effected this exceedingly strange amalgam. I, for one, am prepared to believe that it is the catalyst of patriotism which has wrought this political miracle of our times.

* *

It is common knowledge that the DMK's political rhetoric owes a great deal to alliteration's artful aid. In fact it would be difficult to find another group of publicists or propagandists which has made a little learning go as long a way as the soap-box orators of this party. One of their vaunted slogans claims the three virtues of Duty, Dignity and Discipline as the determinants of the morals and manners of their party and partymen. In the original version, the Tamil letter "ka" serves the purpose of alliteration while the letter "d" does the same duty in the English rendering I have permitted myself here. In the actual working of the party, the virtue of Discipline, at any rate, does not seem to be a particularly active element. This has been brought out into the open by the fact that Mr Karunanidhi, the Chief Minister of Tamil Nadu, avoided appointing one of his colleagues to act as chief minister during the rather long period for which he himself would be away in Europe. The obvious choice for this honour and responsibility would have been Mr Nedunchezian, the Minister for Education. Assuming that Mr Karunanidhi's own sense of Discipline was strong enough to enable him to contemplate formally designating Mr Nedunchezian, who had contested against him for the party's leadership, as acting chief minister, it may be suspected that there are obviously other ministers or party leaders in whom a natural spirit of rivalry is mightier than the cultivated virtue of Discipline.

* *

It is particularly comforting that, in these uneasy times, there should be as Governor of the Reserve Bank an ex-civil servant of the intellectual integrity and solid competence of Mr S. Jagannathan, who assumed that office some days ago. One of the more delicate, if not difficult problems which he must solve is the status and style of the governor in relation to the Department of Banking in the Finance Ministry. A complication here is the circumstance that the secretary in this department is junior in the official hierarchy to the governor who is an ex-civilian. Even at the more purely official level, the Governor of the Reserve Bank has or must have a unique status in relation to officials of the Finance Ministry with whom he has to deal, however high-placed these officials may be, I am sure that Mr Jagannathan will cope with the issues of protocol or etiquette in a way which will preserve and promote the independence and dignity of the office of the Governor of the Reserve Bank.

V.B.

Trade Winds

FERTILIZER SCHEMES

THREE IMPORTANT decisions have been taken by the union cabinet in regard to manufacture of fertilisers. The most important among these is that imported ammonia will be available only to the fertiliser plants in the public sector. According to the agreements recently concluded with Iran and Kuwait, we have to import one million tonnes of ammonia from Iran and half a million tonnes from Kuwait over a seven-year period. These supplies will be primarily used at Trombay and Cochin. At Trombay, they will be used in the expansion programme of the project of the Fertiliser Corporation of India (FCI). At Cochin, imported ammonia will be used by the FACT. At Cochin, imported ammonia will be used by the FACT project under construction there at present. Apart from these two projects, the government has also asked the FCI to expedite the feasibility report of its Paradeep plant. This plant will also be based on liquid ammonia.

The second decision is that the revised Mithapur project of the Tatas has been cleared in principle. The approval, however, has been given subject to clearance by the Department of Company Affairs under the provisions of the Monopolies and Restrictive Trade Practices Act. Since larger industrial houses are allowed to take part in the core sector industrial schemes to which fertiliser industry belongs, the clearance by the Company Law Administration to the Tatas' project should be just a formality. The project as envisaged now will cost Rs 55 crores, including the expenditure of Rs 25 crores in foreign exchange. It will produce annually 850,000/900,000 tonnes of high analysis basic fertiliser materials to be bulk blended into 406,000 tonnes of plant nutrients. The basic materials to be produced annually are: triple super-phosphate/ammonium phosphate 300,000 tonnes, ammonia 210,000 tonnes, urea 200,000 tonnes and ammonium chloride 180,000 tonnes. The feedstock for the project is to be decided by the government.

Under the third decision, clearance has been given to the arrangements for financing the foreign exchange component of the two coal-based fertiliser plants of the FCI — Talcher (Orissa) and Ramagundam (Andhra Pradesh). The Talcher project is estimated to cost Rs 70.49 crores and the Ramagundam project Rs 71.18 crores. They will have a capacity to produce 900 tonnes of ammonia and 1,500 tonnes of urea each per day.

MINISTERIAL WORK ALLOCATION

A Presidential order issued on July 2 says that Mr K.C. Pant, Minister of State in the Ministry of Home Affairs, shall also be Minister of State, Departments of Electronics and Scientific and Indusrial Research, in the Cabinet Secretariat.

Dr Triguna Sen, it is learnt, will deal with all important matters in the two departments of the Ministry of Petroleum, Chemicals, Mines and Metals. While Mr D.R. Chavan, Minister of State, will continue to deal with the work relating to the Department of Petroleum and Chemicals, Choudhary Nitiraj Singh, who is a new entrant in the ministry as Minister of State, will look after the work concerning the Department of Mines and Metals.

The Deputy Minister, Mr Bhanu Prakash Singh, has been allocated some subjects falling under the Department of Petroleum and Chemicals and some under the Department of Mines and Metals. He will deal with matters relating to antibiotics, insecticides and chemicals (except drugs and fertilisers). He will also deal with organisations engaged in engineering design and construction. In the Department of Mines and Metals, matters concerning mica, manganese and development of minerals and chemicals like rock phosphate and pyrites, which are needed for the production of fertlizers, will go to him. From time to time, he may be allocated other work also. All policy matters, however, will go up to Dr Sen through the respective Minister of State.

RAILWAY FINANCES

The Minister for Railways, Mr Gulzari Lal Nanda, told newsmen recently that there would be a gap of about Rs 200 crores in the funds required for the implementation of the fourth five-year Plan of the railways which has to cater for 265 million tonnes of originating traffic by 1973-74 and 23 per cent increase in passenger traffic in that year over the 1968-69 passenger traffic. The Plan outlay at 1968-69 prices had been fixed at Rs 1,525 crores. The railways were expected to provide from their internal resources Rs 940 crores; the balance Rs 585 crores were to be made available from general revenues. The sum of Rs. 940 crores had to be found by the railways by a contribution of Rs 525 crores from the depreciation reserve fund, Rs 265 crores from anticipated revenue surpluses and Rs 150 crores by raising fares and freight rates. A recent review of the railways' resources position had indicated that it would not be possible for them to generate the requisite resources. The financial performance of 1969-70 had not given the anticipated results. Even with the increase in fares and freight rates approved by the Parliament in the last railway budget, the railways might not be able to generate internal resources to the extent of more than Rs 215 crores, as against the original anticipation of Rs 415 crores.

The railways, Mr Nanda said, were making strenuous efforts to curtail expenditure. A fuel economy drive had already been launched. Steps to curb ticketless travel had also been initiated; the enhancement of penalty for ticketless travel had yielded some results. A special drive for checking theft and pilferage of railway property as well as consignments was proposed to be launched very shortly. The economies thus effected might bridge the deficit some extent, but the increase in the price level would push up the cost of the Plan.

For the time being, Mr Nanda said, it had been assessed that unless an additional amount of about Rs 250 crores was forthcoming, it might not be possible for the railways to implement the fourth Plan. If some of the important and pressing demands now being made by the public, the Members of Parliament and the state governments for new lines and for improving passenger service and reducing overcrowding were also to be met, even though partially, further additional funds would be required.

MANUFACTURE OF WATCHES

The Government of India has permitted Hindustan Machine Tools (HMT) to set up a new watch factory at Zainakot, near Srinagar, to produce annually 300,000 watches of the existing gent's type. Simultaneously it has decided that the capacity of HMT Bangalore may be expanded from 360,000 watches to 560,000 watches per annum. The additional capacity is to be utilised for making automatic watches with calendar (day-date mechanism). The Zainakot factory will cost about Rs 4.75 crores. The expansion of the Bangalore unit is anticipated to cost Rs 4.16 crores. The HMT is understood to be negotiating a technical collaboration agreement with the Citizen Watch Company of Japan for the production of automatic watches as well as for the Kashmir project.

This Japanese company had collaborated in the setting up of the existing Bangalore watch manufacturing unit of HMT.

The additional capacity sanctioned for HMT, however, still leaves a wide gap between the demand for watches and their indigenous production. The demand is estimated at nearly 3.5 million pieces per annum. The existing capacity is 670,000 pieces—360,000 at HMT Bangalore and 310,000 at a private unit in Bombay. The production in 1969, of course, was considerably less around 430,000 pieces—HMT 330,000 pieces, Bombay 100,000 pieces. With the additional capacity sanctioned to HMT, the total capacity to manufacure watches in the country will be 1.17 million pieces. Another private sector proposal for setting up capacity to produce 300,000 watches per annum is said to be under the consideration of the government.

The full utilisation of HMT's existing capacity is expected to be achieved next year when some balancing equipment already ordered is installed. The indigenous content in HMT watches has gone up from 54 per cent in 1963 to 84 per cent at present.

M.M.T.C.'S PERFORMANCE

The Mineral and Metals Trading Corporation (MMTC) hopes to increase its earnings from exports of mineral ores by at least 30 per cent during the current financial year. Last year its earnings from this source aggregated to Rs 91 crores. This year they should amount to at least Rs 120 crores. According to the chairman of the corporation, Mr R. R. Behl, a large portion of the increased earnings would be from iron ore exports which may go up from Rs 71 crores last year to Rs 95 crores this year. Increased earnings are expected also from exports of ferro-manganese and coal.

The total turnover of the corporation is expected to go up from Rs 130 crores last year to as much as Rs 230 crores this year. This sharp increase is partly expected due to the transfer of fertiliser imports from the State Trading Corporation to the MMTC on January 1, 1970. Excluding the fertiliser business, the total turnover is anticipated to go up from Rs 115 crores last year to Rs 170 crores.

With a view to stepping up its export earnings, the MMTC has been, for quite some time now, rendering developmental assistance to producers in the form of loans for the purchase of machinery, trucks, etc., and by standing guarantee to mine-owners for the repayment of loans taken by them from commercial banks.

Exports of coal have been diversified recently. In addition to the traditional buyers — Burma and Ceylon (Pakistan was also a good buyer of our coal, but for the past three or four years there has not been any trade with this country because of its refusal to have trade relations with us) — supplies have been made to West Germany, Nigeria, Japan and Hong Kong. Enquiries have also been received from North Korea. This year exports of coal may exceed Rs 7.5 crores, as against Rs 4.5 crores last year.

Exports of ferro-manganese this year may be approximately the same quantitatively as last year, but value-wise they are expected to be more as better prices are now being secured.

The MMTC is understood to be having negotiations with direct producers of copper abroad instead of buying this non-ferrous metal through trade channels. Encouraging results are expected to flow from these negotiations in the near future.

With a view to organising exports in the smoother manner, some senior officers of the corporation have been placed in field.

DEMAND FOR PETROLEUM

The Oil Advisory Committee which met under the Chairmanship of Dr Triguna Sen, union Minister of Petroleum & Chemicals and Mines & Metals, recently endorsed the revised demand estimates of petroleum products till 1975. It is estimated that in 1975 about 31.9 million tonnes of products, including refinery boiler fuel, will be required. To meet this demand, it is felt, the country's existing throughput of 19.5 million tonnes will have to be raised by about another 12 million tonnes.

As changes made by the oil companies in their production pattern have resulted in imbalances in the product availability the committee discussed the question of ensuring a production pattern that will meet country's requirements for the various petroleum products with a minimum outgo of foreign exchange. The consensus was that the desired product pattern for each refinery should be specifically laid down in the monthly supply plan meeting with the oil companies and adherence thereto ensured.

ENGINEERS INDIA

Engineers India Ltd, a public sector undertaking, rendering design and construction services for the setting up of petroleum refining, petro-chemical and allied plants, has declared an interim dividend of eight per cent on its paid-up share capital for the year 1969-70. Three cheques of total value of Rs two lakhs were presented to Dr Triguna Sen, union Minister of Petroleum & Chemicals and Mines & Metals by Mr M.S. Pathak, chairman of the Engineers India Ltd, recently.

The company's turnover which

5¾ PER CENT MAHARASHTRA STATE DEVELOPMENT LOAN, 1982.

ISSUE PRICE RS. 100=00 FOR EVERY RS. 100=00.

OPEN ON WEDNESDAY, THE 15TH JULY 1970.

The loan will be closed as soon as the total amount of Rs. 19.25 crores has been subscribed and in any case not later than the close of business on the 21st July 1970.

The applications for the loan will be received at:—

(a) the offices of the Reserve Bank of India, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;

(b) the branch of the State Bank of Bikaner & Jaipur at Jaipur;

(c) the branches of the State Bank of Hyderabad conducting Government Treasury work within the State of Maharashtra;

(d) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (c).

Full particulars can be obtained at any of the offices mentioned above.

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stood at about Rs 79 lakhs for the year 1968-69 rose to Rs 160 lakhs during the year 1969-70. After successfully completing its work in respect of the Madras Refinery, the Lube India Ltd's lube refinery at Bombay and IOC's Lube Blending Plant at Madras, EIL initiated design and construction work relating to the Rs 70 crore Haldia Refinery the Rs 20 crore Koyoli Arometres Plant and the Kochin Refinary, expansion project.

INDIGENOUS POWER PLANTS

The Ministry of Irrigation and Power has set up an eight man Committee of Experts headed by the Vice-Chairman of the Central Water & Power Commission to examine the capability of the indigenous manufacturing units to deliver the generating plants to meet the requirements of the fourth Plan targets and suggest measures to meet the anticipated shortfalls. The Committee is expected to submit its report within six months. The Committee will consist of: Vice-Chairman, CW &PC as Chairman, a representative of the Planning Commission, Chairman, HEL, Chairman, BHEL, Joint Secretary, Ministry of Industrial Development, Chairman, UP State Electricity Board, and Chairman, Andhra Pradesh State Electricity Board as members and Director (P &P), CW &PC as Member-Secretary.

The conference of the chairmen of the state electricity boards held recently noted that 6.48 million kW of installed generating capacity to be commissioned had been tied up with indigenous manufacturers of power generating plants.

In view of the delays that have taken place in the supplyof generating equipment, particularly those for hydel projects, it was decided that an urgent examination should be made oft he capacity of the indigenous manufacturing industries to supply the generating equipments in time. The conference urged that remedial measures should be taken to meet shortfalls.

CHLORINE FOR KUWAIT

An order for the export of 400 tonnes of liquid chlorine has been placed by the Kuwait Ministry of Electricity and Water with P.V. Shroff, leading liquid chlorine dealers here, who have secured the order with the help of the principals, National Rayon Corporation Ltd. The first consignment has just been shipped. The tender was secured against competition from West Germany, Italy, Japan and the UK.

RAJASTHAN HANDICRAFTS

Trident India Jaipur presented an exhibition of textiles and handicrafts of Rajasthan in New Delhi recently. It presented about twenty varieties of handicrafts and textiles including sarees in tie & dye, silk, georgette, chiffon, kota-doria and shirt-pieces in as many varieties. Scarves, chunnis, Burmese-lungi, decorative articles in marble, papier mache, ivory, sandal-wood, brass, silver, costume, jwellery, laquer bangles, carpets, precious and semi-precious stones, toys, cuff-links, key-chains and beads were appreciated by the visitors.

BEAS PROJECTS

The union government has decided that the cost of Beas Project Unit I and II will be allocated between the erstwhile state of Punjab (including Haryana) and Rajasthan in the following percentages.

	Punjab (erstwhile)	Rajasthan
Unit I		
Irrigation component	85	15
Power component	80	20
Unit II		
Both Irrigation and Power components	41.5	58.5

The decision was taken on the basis Dr A.N. Khosla's recommendations which were considered at a meeting of the Beas Construction Board in April this year under the chairmanship of union Minister of Irrigation & Power, in which the Governments of Punjab, Haryana, Rajasthan and Himchal Pradesh were also represented.

As regards sharing of the cost between Punjab and Haryana the present ad hoc ratio of 60:40 will continue, till an agreed ratio is arrived at finally.

Later on, when a storage work on Ravi is taken up, its cost together with that of the Beas Project may be allocated amongst the partner states.

PAPER MILL IN KENYA

Kenya and Orient Paper Mills of India recently signed an agreement for the construction of East Africa's first integrated pulp and paper mill, to be sited at Broderick Falls in the western region. Initial output — from local woods — is expected to be some 45,000 tons yearly for domestic and East African consumption when the mill begins operations in about three-and-a-half years. Meanwhile, in Abidjan, the African Development Bank announced it would give a loan of $1,450,000 for the estimated $35,000,000 Paper mill.

U.S. ASSISTANCE

The United States extended a grant of $20 million to India to help finance an expanded family planning programme during the fourth Plan. The grant in foreign exchange, will be used to import commodities such as fertilizer, iron and steel chemicals and dyes. India will spend an equivalent amount, Rs 15 crores for increased family planning activities. The agreement was signed by Dr I.G. Patel, Secretary, Department of Economic Affairs, Ministry of Finance, and Mr Leonard J. Saccio, Minister-Director, US Agency for international Development Mission.

NAME IN THE NEWS

The union government has appointed **Mr N. Ramanand Rao** as Custodian of Central Bank of India while **Mr V.C. Patel** retired.

Mr A. Sivasailam, Chirman, Amalgamations Private Ltd and TAFE has been elected President of the Association of Indian Automobile Manufacturers for the ensuing year, at the association's annual general meeting held in Bombay recently.

Dr Basanti Dulal Nag Chaudhri, Member (Science) of the Planning Commission, has been appointed Scientific Adviser to the Defence Minister and Director-General of the Defence Research and Development Organisation.

Mr C.E. Meyer has been elected Vice-President and Controller of Trans World Airlines by the TWA board of directors. **Mr Meyer** suceeds **Mr Robert L. Cooper,** who was Controller at TWA for four years prior to joining another company.

Mr Robert S. McNamara, President of the World Bank and its affiliate the International Finance Corporation, announced that **Mr Judhvir Parmar** of Lucknow, has been appointed Deputy Director of the Corporation's new Department of Investments—Asia.

At its meeting held recently, the Committee of the Indian Cotton Mill's Federation re-elected **Mr Radhakrishna R. Ruia** as Chairman of the Federation for the year 1970. The Committee also re-elected **Mr Tej Kumar Sethi** as Deputy Chairman and **Mr K. Sundram, M.P.** as Vice-Chairman.

At the annual general meeting of the All India Non-Ferrous Meta lIndustrias Association held recently **Mr A.G. Tambawalla,** was unanimously elected as the President for the year 1970

The Annual General Meeting of the Members of the Tanners' Federation of India elected **Haji S. Nazar Mohamed** as Chairman, **Mr Ahmed Shareef Khan** as Vice-Chairman and **Mr Anupam Sen, Sardar Harbans Singh, Mr P. Havrlant, Mr Islamul Huq, Mr. G. P. Madhavan, Mr S.P. Pandit and Mr K.N. Wasan** as members of the committee for 1970.

Mr Madanmohan R. Ruia has resigned from the membership of the Committee of the Fedration of Indian Chambers of Commerce and Industry.

Company Affairs

CENTURY

MR R.D. BIRLA, chairman, the Century Spinning and Manufacturing Company Ltd, in a statement at the annual general meeting held recently provided a picture of progress made by the company since 1951. It was interesting to observe that the gross profit increased from Rs 92 lakhs in 1951 to Rs 12,51 lakhs in 1969. Similary gross block increased from Rs 2.24 crores to Rs 39.60 crores. Sales increased from Rs 7.32 crores to Rs 48.39 crores. The number of shareholders of the company also increased ten-fold from 1,430 to 14,693 during these years, Mr R.D. Birla stressed the fact that the company has continuously improved its pattern of production and is now manufacturing highly sophisticated varieties of cloth which have been very well received in the market. The textile unit of the company is producing at the moment cloth with hundred per cent cotton without mixing any synthetic fibre and yet achieving the look and feel of woollen, terycot and raw silk materials. He added that the quality of rayon and tyrecord yarns also compare favourably with the quality of yarn manufactured by the advanced countries of the world. Talking about the future prospects, Mr Birla stated that if the schemes of cement and pulp are implemented at an early date and if no unreasonable controls are imposed in respect of rayon and tyre cord the company is likely to show still better results. The directors, he added, are trying to expedite the implementation of the new schemes.

Mr R.D. Birla indicated that during the year 1969 the company decided to maintain the dividend at the same level as last year in spite of improved profits, because the directors had in view the pending bonus issue. He further added that even the maintained dividend involved a distribution of Rs 141.95 lakhs as against Rs 136.04 lakhs a year before.. Therefore, he stressed that the maintenance of dividend at last year's level is bound to prove fruitful to the shareholders as well as the company.

SOUTH INDIA SHIPPING

Mr J.H. Tarapore, Chairman, South India Shipping Corporation Ltd, told the shareholders at the annual general meeting held recently that during the year—1969—there was a steep fall in the profits of the company primarily due to fall in freight rates below remunerative levels. The year was also marked by berthing delays, strikes, slow rates of loading and discharging, which resulted in a comparatively less favourable performance of the company. Nevertheless, the net disposable surplus for the year was around Rs 61.18 lakhs after providing for interest of Rs 90.28 lakhs and depreciation of Rs 112.28 lakhs. The chairman indicated that in order to conserve and consolidate the company's resources the directors had recommended the transfer of Rs 36.60 lakhs to development rebate reserve and Rs 25 lakhs to general reserve. The directors, he added, had also proposed the payment of dividend, free of tax, at the rate of 7.5 per cent on the equity paid-up capital from the general reserve.

In respect of labour problems, Mr Tarapore stated that intense inter-union rivalry, which leads to competing and inflated demand by unions regardless of the economic circumstances of industry and their resort to unconstitutional action at times has caused considerable loss of production. One of the dominating reasons for this habitual indiscipline of labour, he stated, is the political motivation of the unions instead of proper representatives of labour. In this context the National Commission on Labour has produced a set of recommendations which should be give a fair trial by the many interests involved, he added.

Mr Tarapore pointed out that Japan's increasing demand for raw materials for her steel industry is likely to play an important role in future trends of tramping trades. Japan has been entering into contracts on a large-scale for periods extending from 8 to 10 years to ensure adequate and timely availability of tonnage for its imports and exports. In this context, he added, that the operators can expand their capacity but the costs of increasing capacity have gone up by about 30 per cent and the operating costs particularly insurance premia have also increased steeply. Still, the country has to increase its capacity to meet the increasing demand, he stated.

INDO-BURMA PETROLEUM

Mr Kamaljit Singh, Chairman, Indo-Burma Petroleum Company Ltd stated at the annual general meeting held recently that the company registered the highest level of sales in 1969, primarily due to the additional product availability from the Indian Oil Corporation, which acquired a majority share-holding of this company on January 12, 1970 from Steel Brothers. He indicated that this association with Indian Oil Corporation Ltd, a petroleum marketing company in the country, is of great benefit to Indo-Burma Petroleum. The sales of petroleum products in the period January to May 1970 have already recorded 30 per cent increase over the corresponding period of the previous year. He added that steps are already being taken to launch an ambitious programme to expand the retail outlets, to renovate and remodel the existing outlets and train the staff and dealers in the latest techniques. He pointed out that the activities of the electronics manufacturing division of the company have considerably improved. The chairman added that the return on the company's surplus funds has been rather low and as an interim measure the arrangements have been made to improve the returns by advancing a loan at a higher rate of interest. He also regretted that there has been no progress in regard to the realisation of the company's assets in east Pakistan and Burma.

SANDUR MANGANESE

Mr Y.R. Ghorpade, Chairman, the Sandur Manganese and Iron Ores Ltd told the shareholders of the company recently that the year 1969 marked the completion of the first full year of working of the metal and ferro-alloy plant. The total sales realisation of pig iron for the year 1969 was around Rs 1.46 crores. During the year the company made a profit of Rs 7.64 lakhs after providing depreciation of Rs 22.78 lakhs as against a profit of Rs 13.78 lakhs in the previous year after providing depreciation of Rs 12.60 lakhs. The chairman indicated that the rupee price for manganese ore exports during 1969 was reduced as compared to 1968. The quantity of manganese ore sold and shipped showed a significant improvement from 121,000 tons and 176,000 tons in 1967 and 1968 respectively to 207,000 tons in 1969. The sales realisation, however, did not increase in proportion to the increases in quantity. Mr Ghorpade stated that the continuation of export duty should not result in the MMTC reducing the rupee price for manganese ore export because it affects the capacity of the organised companies to modernise, expand and improve the productivity of labour and capital.

Mr Ghorpade told the shareholders that manganese ore produced by the company has a world-wide reputation and exports have been stepped up from nearly 50,000 tonnes every year, during the first decade of company's performance starting in 1954 to more than

200,000 tonnes at present. The manganese ore export during the year 1970 to Japan and Europe is likely to be of the order of 300,000 tonnes. To sustain the production and export programme of this magnitude the company has been following a programme of electrification and mechanisation. The first of this propgramme was inaugurated by Mr Dharma Vira, the Governor of Mysore, in April 1970. The Minerals and Metals Trading Corporation of India gave a loan of Rs 25 lakhs towards this programme out of which an amount of nearly Rs 20 lakhs has been repaid by the end of June 1970. The chairman stressed the fact that the valley of Sandur has great future and he expressed satistfaction regarding the fact that the broad-gauge line from Torangallu to Mudukalpenta will open up the valley for increased development.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act. 1951, during the four weeks ended February 28, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting— and annual installed capacity.

LICENCES ISSUED

Electrical Equipment

M/s NGEF Ltd; Off: Old Madras Road, Byappanahalli, PO Box No. 384, Bangalore-1. (Myosre) Silicon Power Diodes — 10,000 Nos. p.a. (on maximum utilisation of plant) (NA).

M/s Traco Cable Co. Ltd; P.O. Irimpanam, Tripunithura, Ernakulam Distt., (Kerala); Tele communication Cables—1000 kms. on maximum utilisation. (SE).

M/s Geep Flashlight Industry Ltd.; 28, South Road, Ahmedabad-1. (UP) Dry Cells—150 million Nos. after expansion. (on maximum utilisation of plant and machinery).

Telecommunications

M/s Telefunken India Ltd.; G-4, N.D. South Extension, New Delhi-49. (Haryana) Carbon Composition Resistor —20 million nos. Ceramic Capacitors— 12-million Nos. (NA).

Transportation

M/s Britiannia Engg. Co. Ltd; 3, Netaji Subhas Road, Calcutta-1. (West Bengal) Screw Couplings—75,000 Nos. p.a. (COB). M/s Sen Raleigh Ltd.; Mercantile Buildings, Lalbazar, Calcutta-1. (West Bengal). Powered Auto-Cycles — 49 cc. (Indian Design development by CMERI -Durgapur)— 50,000 Nos. p.a. (NU)

Chemicals (other than fertilisers)

M/s Ballarpur Paper & Straw Board Mills Ltd.; Thapar House, 124, Janpath New Delhi-1. (Maharashtra) Caustic Soda—6600 tonnes p.a. Hypochlorite — 5280 tonnes p.a. Hydrochlorite Acid — 1650 tonnes p.a. (NA) M/s Bombay Oil Industries Pvt. Ltd.; Kannoor House, 281-87, Narsi Nath Street, Bombay-9. (Maharashtra). Fatty Acid Amids—120 tonnes pa. Fatty Acid Nitrites— 60 tonnes pa Fatty Acid : Amines—120 tonnes p.a. (NA) M/s Chemicals & Plastics India Ltd.; 175/1, Mount Road, Madras-2. (Tamil Nadu) Poly Vinyl Chloride—(PVC) — 20,000 tonnes pa. (SE)

Textiles (Including those Dyed, Printed or otherwise processed)

Rajasthan Co-op. Spinning Mills Ltd.; Gulabpura, Bhilwara., (Rajasthan) 25,000 spindles for the manufacture of cotton yarn. (NU).

Sugar

M/s Tulsipur Sugar Co. Ltd.; Tulsipur, Gonda, (UP) Sugar — Crushing capacity of 300 tonnes of Sugarcane per day or C.C. of 1,500 tonnes of sugarcane per day after substantial expansion. (SE) India Sugar & Refineries Ltd.; Hospet, Bellary, Mysore (Mysore) Crushing capacity of 250 tonnes of Sugarcane per day or C.C. of 1,500 tonnes of sugarcane per day after expansion. (SE).

Palakol Co-op. Agriculture & Industrial Society Ltd; Palakol, West Godavari. (Andhra Pradesh) Sugar — Crushing capacity of 500 tonnes of sugar cane per day. Or 1,500 tonnes of Sugarcane per day after substantial expansion. (SE).

Food Processing Industry

Jaipur Roller Flour Mills; Jobher Bagh, Station Road, Jaipur, (Rajasthan) Wheat Products — 1,820 tonnes per month in terms of wheat. (COB).

Vegetable Oil & Vanaspati

M/s Kamani Oil Mills; Chawla Bros Pvt. Ltd.; 365, Katha Bazar, Bombay-9. (Maharashtra) Groundnut Oil by expeller process — 20 tonnes per day in terms of groundnut seeds. (SE).

Leather, Leather Goods & Pickers

M/s P.E.C. Limited; 5, Rifle Range Road, Calcutta-19. (West Bengal). Finished leather — 1.38 lakh pieces. p.a. (COB).

Miscellaneous Industry

M/s Golden Tobacco Co. Pvt. Ltd.; Tobacco House, Ville Parlae, Bombay—56. (Gujarat). Cigarettes 4,500 million pieces p.a. (NU).

LETTERS OF INTENT

Metallurgical Industry

M/s Industrial Development Corp. of Orissa Ltd.; P.B. No. 78, Bhubaneswar. (Orissa).—Ferro Vanadium— 480 tonnes per annum. Titanium Products—9600 tonnes (NU).

Electrical Stampings

Shri S.R. Balakrishnan, 8-A, Bishop Garden, Greeways Road, Madras-28. (Tamil Nadu) Electrical Steel Stampings — ·3000 tonnes p.a. on maximum utilisation of plant. (NU). M/s Geep Flash-light Industries Ltd. ; 28, South Road, Allahabad ; (UP) Midget Electrodes—300 million nos. per annum of maximum utilisation of the plant and Machinery. ·(NU) M/s Precision Stampings, Prop: Gupta Machine Tools Pvt. Ltd.; 50-B, Gariahat Road, Calcutta-19. (Haryana) Electrical Stampings— 3000 tonnes pa. (on maximum utilisation of Plant (NU); M/s Madhya Pradesh Industries Ltd.; 7, Council House Street, Calcutta-1. (Bhopal) (MP)—Midget Electrodes—million Nos. pa. on maximum utilisation of plant and machinery. (NU); Shri V. N. Rajan, 34-H, Main Road, Gandhinagar, Madras-20. Banglore, Mysore Electrical Steel Stampings — 3000 tonnes pa. on maximum utilisation of plant. (NU); Shri H.P. Bhatnagar, B-15, Green Park, New Delhi (UP or Haryana) Midget Electrodes— 100 million Nos. pa. on maximum utilisation of installed plant and machinery. (NU); M/s British India Electric Construction Co. Ltd., 21, Netaji Subhas Road, Calcutta-1. (West Bengal)— Low Voltage alternators of Bushless type without DC Exciter-Generator Sliperings & Bushes — 56 Nos. p.a. from 50 KW upto 100 Low Voltage Alternators—50 KW to 100 KW within the existing licensed capacity of 84 nos. of standard self-regulated overhung DC exciter type LV Alternators per annum. (SE).

Industrial Machinery

M/s Larsen & Toubro Ltd; Powai Works, Kala Vihar Road, P.B. No. 7151, Bombay-70. (Bombay-Maharashtra)—Petrol Dispensing pumps—750 nos. to 2400 Nos. pa. on the maximum utilisation of the plant & machinery. (SE); M/s National Standard Duncan Ltd.; 31, Netaji Subhas Road, Calcutta-1. (Maha-

rashtra) Tyre Retreading Equipment. 120 Nos. p.a. (Valued at Rs 48 lakhs) (NA) M/s Frick India Ltd.; Jeewan Vihar, 3, Parliament Street, New Delhi-1. (Faridabad-Haryana) Centrifugal Package Chillers—20 nos. pa. (NA); M/s Larsen & Toubro Ltd.; L & T House, Dougal Road, Ballard Estate, Bombay-1. (Maharashtra) ; Bread Making Plant — Plant of varying capacity of 1/4 tons /day with a total aggregate capacity of 25 tons/day. (2) Biscuit Making Plants of varying ca'acity of ½ tons/day and above with aggregate capacity of 10 tons a day.

Machine Tools

M/s Nuchem Plastics Ltd.; 54, Industrial Area, Faridabad. (Faridabad-Haryana). (*i*) Verticle upstroke & down stroke column type hydraulic presses for the Rubber Industry; M/s Nuchem Plastic Ltd. (*ii*) Vertical Downstroke Fabricated frame type hydraulic presses for the plastic industry. (*iii*) Vertical downstroke fabricated from type hydraulic presses for the Rubber Industry including presses selling under the name of 'Meterjet'. (*iv*) Vertical Upstroke hinged head type presses for the Rubber Industry known as the "Hydramold." (NA). 50 (fifty) presses valued at about Rs. 50 (fifty) lakhs per annum, Shri G.K. Damani 29-C, Dongersi Road, Shree Sagar, Bombay-6 (WB) (Nasik or Nagpur—Maharashtra). B.E. Electric Portable Drill (Elec) Machines all sizes. Electric hand grinders. Electric Portable blowers. Electric Portable Screwdrivers, Chipper Hammer, Nut Runners, Valve Grinders, Honing Machines., 14,000 tools worth Rs. 50 lakhs p.a. on the basis of maximum utilisation of plant: M/s Poysha Industrial Co. Ltd.; Bahadur Shah Zafar Marg, New Delhi-1. (Thana-Maharashtra). (1) Reforming Machines— 15 machines p.a. (2) Flanging machines — 15 machines p.a. (3) Seaming Machines— 50 machines p.a. (NA).

Commercial, Household & Office Equipment

M/s Voltas Ltd.; 19, Graham Road, Ballard Estate, Bombay-1. (Maharashtra). (*i*) Centrifugal Packaged Chillers— 20 Nos. p.a. (*ii*) Refrigeration Equipment — 100 sets p.a. for transport. (*iii*) Plate Freezers—30 nos. pa. (NA)

Chemicals (Other than fertilisers)

M/s Dai-Ichi-karkaria Pvt. Ltd.; Liberty Building, New Marine Lines, Bombay-20. (PIMPRI - POONA-Maharashtra) Alkyl Phenol — 700 tonnes p.a. Polyether Polyols— 1000 tonnes. p.a. Sorbitol-Mannitol—1000 tonnes p.a. (NA); M/s The Ballarpur Paper & Straw Board Mills Ltd.; 25, Brabourne Road, Calcutta-1. (Mysore). (*i*) Caustic Soda— 33,000 tonnes p.a. (*ii*) Liquid Chlorine — 16,500 tonnes p.a. (*iii*) Hydrochloric Acid— 10,000 tonnes p.a. (NU); The Mettur Chemical & Industrial Corpn. Ltd.; Mettur Dam, Tamil Nadu. (Tamil Nadu) Caustic Soda— 6,600 tonnes/ year. (Capacity after expansion 46,200 tonnes/ year based on 330 days continuous process working). (SE).

Aromatic Chemicals

M/s S.H Kelkar & Co. Pvt. Ltd., Bombay-Agra Road, Mulund, Bombay-80 (N.B.) (Maharashtra) 1. Benzyl propionate from 2 tonnes to 4 tonnes. (2) Benzyl Salcylate from 2 tonnes to 4 tonnes. (3) Citronellol from 9 tonnes to 24 tonns. 4. Citronellyl Acetate from 2 tonnes to 5 tonnes. 5. Fatty Alcohols Estere and Aldehyders. from 5 tonnes to 12 tonnes. 6. Geranyl Formate. from 0.5 tonnes to 2 tonnes. 7. Nerol from 1.5 tonnes to 5 tonnes. 8. Phenyl Ethyl Acetate. from 5 tonnes to 10 tonnes. 9. Yara Yara. from 11 tonnes to 15 tonnes. (SE). M/s Tata Chemicals Ltd.; c/o Tata Industries Pvt. Ltd., Jeevan Tara Building, Parliament street, PB. No. 66, New Delhi-1. (Gujarat) Soda Ash—1,44,000 tonnes p.a. (capacity after expansion 3,60,000 tonnes p.a. (SE).; The Managing Director, M.P. Audyogic Vikas Nigam Ltd.; 'A' Block, Old Sectt., Bhopal. (Korba—M.P.; Caustic Soda—27,000 tonnes p.a. Chlorine—10,000 tonnes p.a. (NU).

Textiles (Including those Dyed, Printed or otherwise processed).

M/s Plastic Packaging Pvt. Ltd., Chowpatty Chambers Sudhurst Bridge, Bombay-7. (Poona-Maharshtra). Nylon Yarn (from 756 tonnes to 2000 tonnes).

CHANGE IN NAMES OWNERS/ UNDERTAKINGS

(In respect of particular licences only)

(SE.) From M/s Binny's Engineering WorksLtd., to M/s Binny Ltd From Sundaram Fastners Pvt. Ltd. to Sundaram Fasters Ltd. From M/s Podar Mills Ltd., Podar Chambers, Fort, Bombay-1., to "Podar Processors."

LICENCES REVOKED OR SURRENDERED

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M/s Bengal Immunity Co. Ltd., 153, Dharamtala Street, Calcutta-13. Contraceptive Tablets. M/s Jagatjit Distilling & Allied Industries Ltd., New Delhi. Food Yeast & Brewers Yeast. Shree Ram Silk Manufacturing Co., 14, Netaji Subhas Road, Fabrics. Processing of Cotton fabrics. M/s The Seksaria Biswan Sugar Factory Pvt, Ltd.; Biswan, Sitapur (UP) Sugar. M/s Sri Sarada Mills Ltd., Podanur (Coimbatore) Tamil Nadu. Cotton Yarn. M/s The Shalimar Works Ltd., 4, Garden Reach Road, Khidderpore, Calcutta-23. Polyster Resins Products.

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Applications for the loan must be for Rs. 100 or for a multiple of that sum.

Subscriptions may be in the form of cash/cheque or Securities of 4½% West Bengal Loan, 1970.

Applications will be received at—

(a) The offices of the Reserve Bank of India, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.

(b) The branch of the State Bank of Bikaner and Jaipur at Jaipur; and,

(c) The branches of the State Bank of India within the State of West Bengal except in Calcutta.

Full particulars and application forms are available from any of the offices mentioned above.

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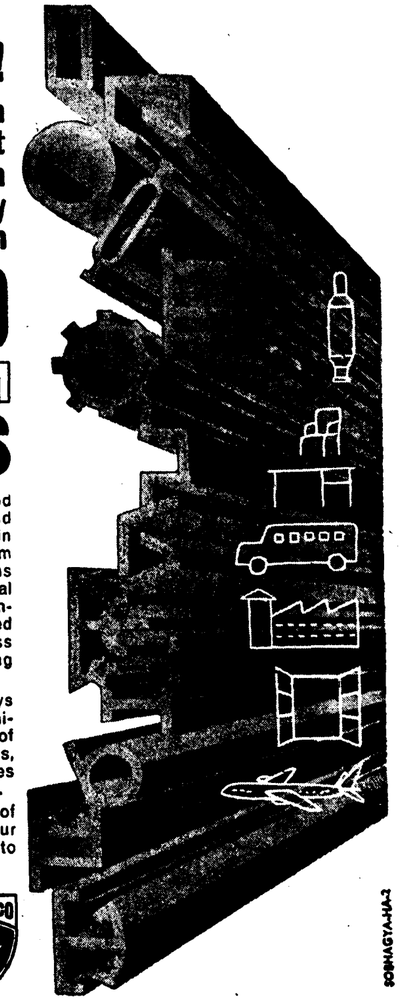

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READERS' ROUNDTABLE

Reserve Bank vis-a-vis Government

Dear Sir,

As a regular reader of your column, I wish to congratulate you on what you have written about the lowering of the prestige of the RBI's Governor's office by the erstwhile Governor. (Ref. *Eastern Economist* dated June 19, 1970 page 1175). Perhaps, you are not aware that in the high circles in India, self-respect has been sacrificed at the altar of self-improvement. In these days, sticklers for propriety find themselves eased out as they are found to be totally unsuitable under circumstances of perverted values.

While on this subject, I wish to draw your kind attention to the fact that the first Governor of the Reserve Bank of India, viz: — Sir Osborn Smith, never allowed others to tamper with his independence. In the recently published "History of the Reserve Bank of India" on page 223, references to Sir Osborn Smith's attitude have been given in the following lines:

"Sir Osborn was, it appears, a person who was keen on maintaining the independence of the institution he headed. Even in his Imperial Bank days, Sir Osborn used to complain of pressures from the Government and the Secretary of State. At one time, he had told the Government people that "so long as I run the Bank, I will not be run by London or anywhere else and further I would not tolerate interference with my business."

Again in pages 277 and 278 in the same volume, it has been mentioned that his successor, Sir James Taylor, endeavoured to maintain the tradition of independence of the Bank. At one time, he took strong objection to Government's writing a note to him in a summary fashion. He went on record as under:

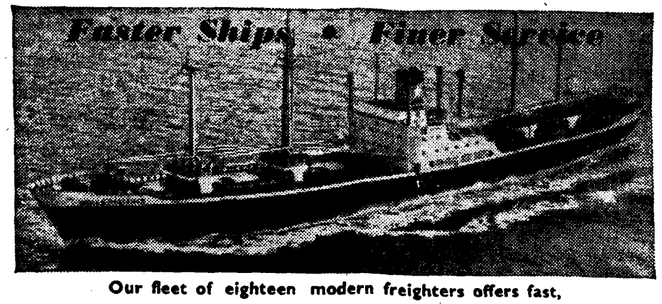
"I regard it as important from the point of view of national interest that the independence of the Reserve Bank be preserved in the business aspects of its operations and I feel constrained to enter a caveat against any semblance of an encroachment on its discretion."

Yet another instance where the same Governor had to protest indignantly arose with reference to some comment of the Secretary on the draft of the Governor's speech to the shareholders at an Annual General Meeting. (Ibid page 278).

Viewed in the present context, the attitude taken by Sir Osborn and his successor even in those days of British regime appears gallant and exemplary. Can we afford to entertain hopes of the existence of such upright officials who will be bold enough to wage a relentless battle to protect their prerogative of holding independent views even on the face of mass onslaught of Government influence?

Yours faithfully,
S. Sitaraman

Calcutta.



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COMPANY MEETINGS

THE SANDUR MANGANESE AND IRON ORES LIMITED

Following is the Speech delivered by Shri Y. R. Ghorpade, Chairman and Managing Director, The Sandur Manganese and Iron Ores Limited, at a Sixteenth Annual General Meeting held on 29th June, 1970.

Shri Y. R. Ghorpade

GENTLEMEN,

In the year 1969, Smiore achieved a record export programme of more than two lakh tonnes of Sandur Manganese ore to Japan and Europe. It has planned to reach an export target of three lakh tonnes during 1970 and recently completed the mechanisation and electrification of its mines to sustain this high level of production. The year 1969 also marks the completion of the first full year of working of the Sandur Metal & Ferro Alloys Plant which went into production in September 1968. Smiore is already planning to establish one more electric furnace to further diversify and broaden the base of its industrial activity. The foundations have been well laid and the next decade will be one of greater achievement and effort.

2. The 15,000 KVA electric reduction furnace functioned satisfactorily and produced about 32,000 tonnes of pig iron during 1969 in spite of difficulties with regard to supply of coke and electric power to the Plant.

The average monthly production of foundry grade pig iron, during the first quarter of 1970, was 2,800 tons excluding scrap. The plant is producing mostly foundry grade pig iron with the higher silicon content to meet the needs of specialised foundries. Smiore electric pig iron has already made a name throughout the country for its consistency and quality. Efforts are being made to improve the sizing of raw materials in order to further improve the working of the furnace. Incidentally, production of foundry grade pig iron with lower silicon content results in higher production, at the same level of operational efficiency. But the grades actullly produced will have to depend on price and market conditions. All this shows that there is no difficulty in the furnace operating steadily at rated capacity provided the power supply by the Mysore State Electricity Board (MSEB) to the Plant is adequate and steady throughout the year, which is very essential for any electro-metallurgical production. It is not enough for Mysore State to have adequate power. It is equally essential to supply power efficiently without frequent stoppages and fluctuations, especially to power intensive industries. Otherwise the cost of power per unit of production will inevitably be more than what it should be on the basis of the agreed power rates. It is only fair that the MSEB bears full responsibility for any tardy supply of power which affects the quantity, quality and economics of production. However, the Mysore State Electricity Board has completed the double circuit 220 KVA line between Hubli and Munirabad and the 110 KVA receiving station at Lingapur is expected to be commissioned shortly. This will improve the reliability of power supply to the plant and enable the company to plan its future expansion with greater confidence.

3. The total sales realisation of pig iron for the year ending 31st December, 1969 was Rs. 1.46 crores. The interest and depreciation for the Metal and Ferro Alloys Plant for the year 1969 was Rs. 14.95 lakhs and Rs. 18.55 lakhs respectively which has been fully provided for. As a result of increase in pig iron prices by Hindustan Steel Ltd., Smiore also revised its pig iron prices from 15th January, 1970. Recently the export price for ferro-manganese also has shown improvement. The Research and Planning Cell of the Company has undertaken to prepare a feasibility report for the installation of another elctric reduction furnace of suitable size, to produce alternative products, such as pig iron, ferro-manganese, and low carbon ferro-manganese. The relative economics of producing these products including ferro-silicon is being closely examined in relation to the demand in the home market and abroad. One more furnace will help to further diversify and strengthen the overall working of the company. Smiore is determined to go ahead and play its rightful role in the economic development of this region.

4. During the year 1969, the Company made a profit of Rs. 7.64 lakhs after providing depreciation of Rs. 22.78 lakhs as against a profit of Rs. 13.47 lakhs in the year 1968 after providing depreciation of Rs. 12.60 lakhs. The rupee price for manganese ore exports during 1969 was reduced compared to 1968. However the quantities of manganese ore sold and shipped showed a significant increase from 1.21 lakh tons and 1.76 lakh tons in 1967 and 1968 respectively to 2.07 lakh tons in 1969. The sales realisation from manganese ore exports increased from Rs. 166 lakhs in 1968 to Rs. 183 lakhs in 1969. The sales realisation did not increase in proportion to the increase in ore exports because the rupee price the Company got from the MMTC in 1969 was less than the rupee price for 1968 by Rs. 4/- per ton for A grade ore and by Rs. 3/- per ton for B grade ore. The sales realisation during 1969 would have been higher by Rs. 7.43 lakhs if the 1968 rupee price had continued. This same, rupee price will be applicable for the year 1970. The export duty on manganese ore exports should really be abolished. However, the continuance of export duty should not result in the MMTC reducing the rupee price

for manganese ore export a manner which affects the capacity of organised companies to modernise, expand and improve the productivity of labour and capital.

5. There has been a significant improvement in the railings from 1.33 and 1.54 lakh tonnes in 1967 and 1968 respectively to 2.34 lakh tonnes in 1969. The average monthly railings at present are about 20,000 tonnes, thanks to the help and co-operation of the Indian Railways. It will be able to cope up with the big export programme for the year 1970 of about 3 lakh tonnes, consisting of 1.20 lakh tonnes of A grade and 1.20 lakh tonnes of C grade to Japan and 60,000, tonnes of A grade to Europe. Our manganese ores have a world-wide reputation and ore production for export has been already stepped up from an average of about 50,000 tonnes per annum in the first decade of Smiore's working commencing from 1954 to more than 2 lakh tonnes. The managnese ore export programme of the year 1970, to Japan and Europe, of 3 lakh tonnes will earn foreign exchange for the country of the order of about Rs. 3 crores and is the biggest export effort in the history of Smiore. To sustain a production and export programme of this magnitude, increasing quantities of overburden or waste material will have to be removed with the help of machines. On an average more than 3,000 tonnes of overburden will have to be removed per day in order to step up production to 2-1/2 to 3 lakh tonnes in the near future.

6. It is for this purpose that the Company undertook and completed the first phase of its electrification and mechanisation programme at a cost of Rs. 30 lakhs which was inaugurated by Shri Dharma Vira, the Governor of Mysore on 18th April 1970 at the 16th Annual Day function at Deogiri. Smiore has erected Sub-stations with 250 KVA transformers, at selected load centres, to distribute power to the mining areas. Electrically operated air compressors, down the hole drill and dumpers are already in operation. Traxcavators are expected shortly. In subsequent stages, some power shovels and bull dozers may have to be added. The project report for this programme was prepared by M/s. M. N. Dastur & Co. Private Ltd. It is a matter of great satisfaction that the engineering of this programme was done by our own staff. The Minerals & Metals Trading Corporation of India (MMTC) gave a loan of Rs. 25 lakhs towards this programme out of which an amount of Rs. 13 lakhs was repaid by Smiore to MMTC by the end of 1969, and about Rs. 20 lakhs by the end of June 1970. The completion of this vital programme is an important landmark in the history of Smiore. Apart from its impact on production, the electrification of the mining operations and the labour colonies is bound to add a brighter dimension to the life at the mines and the surrounding areas.

7. The company has prepared a master plan for a modern housing colony at the Metal & Ferro-Alloys Plant and also at the Mines. Work has already commenced and the first set of tenements will be ready by the end of this year. The Company has also approached the Life Insurance Corporation for substantial financial assistance for completing the housing programme as expeditiously as possible. Smiore also revised the pay scales of its employees as from May 1969 which increased the annual wage bill by Rs. 3 lakhs. During the Mysore State Safety Week Celebrations in 1968, the Company s mines were adjudged the best open cast mine in the State for overall performance and working conditions. At the recent zonal Safety Week Celebrations at Donimalai, Smiore mines were once again adjudged the best. To maintain and improve upon this performance is a great responsibility which has to be shared by all.

8. The valley of Sandur has a great future. It is a matter of great satisfaction that the only broad-gauge line to be taken up in Mysore State, as announced in the Centre's Railway Budget this year, is from Toranagallu to Mudukalpenta. This will open up the valley of Sandur for greater development. In due course we can expect this broad-gauge line to be connected with Yeshwantnagar and extended to Kottur and Harihar. The Samehalli-Hospet line will have to be converted into broad-gauge. A pelletisation plant near NMDC's Donimalai Iron ore project, to pelletise about 2 million tonnes of iron ore dust, is the next logical step. It is a very crucial step. The Mysore Government has already informed the Centre that they are prepared to undertake the Taranagar medium irrigation project, costing more than a crore, to provide water to the proposed pelletisation plant and also irrigate several thousand acres in the Sandur-Toranagallu area. These pellets can either be exported or used in the proposed 2 million tonnes steel plant. To pelletise 2 million tonnes of iron ore dust, which constitutes about 50% of the proposed iron ore production at Donimalai, is essential to ensure the economic working of the Donimalai iron ore project. All those mining ore in this area will benefit by this development.

9. The Sandur-Hospet region is world famous for its exceptionally rich and plentiful iron ore, the proved reserves being of the order of 1000 million tonnes. A large size steel plant is the birth right of this area. This has been officially recognised and conceded by the recent Central announcement in this regard and the statement of Shri K. C. Pant, Union Minister for Steel & Heavy Engineering that it will initially be a 2 million ton steel plant. The average capital cost of the existing three steel plants of Hindustan Steel Ltd. is about Rs. 2,500 crores per ton of finished steel capacity. On this basis, if India's steel production is to be doubled in the next ten years and increased by one million tonnes every years as envisaaged by the Government of India, the average annual, investment on steel will have to be of the order of Rs. 250 crores, or about Rs. 2,500 crores in the next decade. It may be more to the extent to which capital cost per ton increases during this period. The cost of setting up a steel plant producing 2 million tonnes of finished steel will be about Rs. 500 crores and, perhaps, more at the present and future prices. Every effort will have to be made to reach this target as early as possible. The expansion programme of Smiore is being planned to fit into this overall development and act as a catalyst for faster development of this area. The efforts being made by the Mysore Government and the Chief Minister Shri Veerendra Patil to interest the Japanese in the development of the Karwar Port for iron ore export and foster Indo-Japanese collaboration deserve every encouragement. Government should also take steps to develop the iron ore reserves in the Ramgad area on a massive scale. Such an integrated and well planned deve lopment will put Bellary District and Mysore State in the forefront of industrialisation. Smiore is destined to play its part in this exciting nation building activity.

Y. R. Ghorpade

Yeshwantnagar,
29th June, 1970.

THE METAL BOX COMPANY OF INDIA LIMITED

Chairman, Mr Bhaskar Mitter's Review

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

GENTLEMEN,

In my Review last year I had said that the year ahead was going to be a difficult one with likely problems of inadequate tinplate supply and increasing competitive pressures. In the event, the year under review not only faced these problems, but to them was added the most severe industrial unrest in our Calcutta establishments, leading to the prolonged closure of the two factories there. This had the most grievous impact on the Company's results.

Sales, Profits and Dividends

2. The Company's product sales increased by 6.2% to Rs 27.03 crores. Excluding the effect of excise duty, the growth was 4.1% which would have been considerably higher had it not been for the closure of the Calcutta factories. Whilst this low growth was inadequate to meet the continually increasing costs and therefore depressed results, the direct effects of the closure, during which period substantial fixed costs had to be incurred, eroded substantially the Company's profits, which fell from Rs 192 lakhs to Rs 102 lakhs. The severity of this drop left no option with the Directors but to pass over the interim dividend, a decision which they took with the utmost regret.

3. In view of the subsequent improvement in performance after the closure, and having regard to the unusual circumstances of the year which I hope will not be repeated, the Directors decided to draw a sum of Rs 5 lakhs from the General Reserve and to recommend a dividend of 6%. In making this recommendation they have borne in mind the fact that Rs 29 lakhs (before tax) charged to profits relates to payment of bonus for 1968-69, in respect of which provision made in that year's account was in accordance with the Payment of Bonus Act but actual payment was higher.

4. The demand for packaged consumer goods has steadily increased over the years. However, as the bulk of demand for our packages is still dependent on agricultural commodities, any shortages in one particular area can have a considerable bearing on the Company's sales. An unsound policy of controls on vegetable oils and sugar for example, has proved a stumbling block to the growth potential of industries such as vanaspati, confectionery and biscuits, with the resultant repercussions on our growth. Such repercussions were more than ordinarily felt the last year.

5. Whilst the growth pattern of packaged goods is expected to continue, it is difficult as yet to forecast how it will be affected by the unfortunate excise levies introduced in the last fiscal budget on metal containers and on the products of many of our customers. The burden of these levies is indeed going to be heavy for the still young processed food industry, which, for reasons of conserving food and raising national nutritional levels, ranks as a priority industry as defined by the Government. The high level of excise duties on containers and on packaging raw materials, particularly tinplate and aluminium, has resulted in package cost forming a very high percentage of retail prices. For example, the ratio of package cost to retail selling prices in the United Kingdom for a number of well known consumer items varies from 6% to 12% whereas in India the ratio for the same items is now between 14% and 25%. It is difficult to believe that the Government's intention is to price essential mass consumption packaged goods beyond the reach of large sections of our population, which is what the recent cost trends seem to be doing. The rapid growth of rural markets so keenly awaited has not yet materialised, and consumer industry has just touched their fringes. I am afraid that the possible consequences of Government policy relating to packages, particularly metal packages, will tend to further delay such growth.

6. The growth of the Company's Paper and Plastics operation has been satisfactory, despite keen competition. It is sometimes argued that metal substitution can take place on a large scale by shifting to plastic packages or glass bottles. The climatic conditions, vast distances involved and breakages in transport and handling that prevail in our country, preclude the use of any materials other than the strongest available to provide a long shelf life for the package and the products. The growth in paper and plastics packages will, therefore, be on its own and, as in most developed countries, they will co-exist with, and supplement other packaging media. Any major shifts will be isolated to a few specific products. It is my belief that even without any such major shift, the impressive rate of growth in the field of paper and plastics will continue and it will make increasing contributions to the Company's results. Results of the Company's subsidiary, Kosmek Plastics, suffered from an imbalance in printing capacity, high cost of development items and inadequate raw material supplies earlier in the year. I am hopeful of that Company achieving substantial improvement in results in the current year.

Package Costs and Technical Assistance

7. It has been this Company's endeavour to improve the competitiveness of metal package by reducing its cost by economic utilisation of materials and constant development of cheaper but functional specifications. In other countries this has been achieved by participative research by the package manufacturer and the primary producer of raw materials, but there is still in our country an apparent lack of readiness on the part of the primary producers to undertake research and development efforts aimed at reducing costs, due to a fairly secure market for their products. An example is tinplate, where major achievements in recent years — double reduced plate, lighter tin coating, tin-free steel, to mention a few — are the results of research and development work in the Steel industry and the feed-back of technological findings by can makers from the user's point of view. With your Company's own research and development resources and the access available to us through technical assistance arrangements, we are eminently in a position to assist the primary producers in any major and effective development in the field of packaging raw materials.

8. The technical assistance from our associates provides us with opportunities to bring improved methods and products into this country. It has to be appreciated, however, that the introduction of the latest developments in packaging is subject to important limitations. For example, while we are ready to introduce containers made from 2CR tinplate, we cannot consider their marketing until Hindustan Steel are equipped to make such plate or, alternatively, Government can assure continuing imports. In the development of new products such as improved versions of Crown Corks and other sophisticated closures, beer cans, easy opening ends, tinplate aersol cans, aerosol valves, we have continuous access to the most advanced technology in the United States and Europe through our technical associates. We can

over a reasonably short period equip ourselves to manufacture all these products, but we need to be certain that raw material of the right quality and specifications will be available to develop the market, which our marketing research and other studies indicate, can be created. Without that assurance we run the risk of introducing an item the quality production of which cannot be sustained at economic rates; nor can a regular supply be assured. For the development of Indian manufacture, our own research establishments as well as those of our technical associates have been, over a long period, testing materials and developing them to meet international specifications.

Research and Development

9. Our resesrch and development efforts on which we spent Rs 31 lakhs last year continue to be concentrated on material savings on the one hand and import substitution on all fronts on the other. Increasing development work is now being undertaken by our research laboratories and Technical Development Division in the field of cartons, laminates and paper packaging systems. The Technical Development Section in Bombay is now operational and the Machinery Building Factory is looking forward to a substantial increase in its activity and the manufacture of more complex machinery.

Exports

10. Exports at Rs 70 lakhs again registered an impressive growth of 24% over last year, despite mounting competitive pressures in our markets. Unfortunately, low prices exert a negative pressure on our domestic margins which, despite incentives, makes exporting a non-profitable exericse. Nevertheless, in keeping with the declared objectives of your Company, the search for new markets continues and we have now been able to gain an entry into countries like Australia, Ireland and Ghana. The Company was given an outstanding performance award for Crown Corks by the Engineering Export Promotion Council. The Company's contribution to the export effort is even more spectacular in terms of goods exported in our packs, the value of which is estimated to be in the region of Rs 20 crores.

Raw Materials

11. The supply of raw materials has been a major problem in the past year inasmuch as tinplate supplies from Rourkela have been meagre and the other major supplier could not meet orders due to industrial unrest. Despite heavy production backlogs and Rourkela's inability to meet the moderate targets of production, the ban on import of general purpose tinplate continued during the year, as indeed it still continues according to the recently announced import policy. If Rourkela's performance does not show any improvement there will be a large gap between the supply and demand for tinplate. If this gap is not filled by imports, it could have adverse consequences for your Company which, in turn, will affect a large number of consumer goods industries as well as the availability of packaged goods to the consumer. Early in this calendar year tinplate prices were increased by approximately 6% so that the difference between international and local tinplate prices is now as much as Rs 800 to 1000 per tonne.

Industrial Relations

12. I have earlier referred to the industrial unrest that the Company suffered in its Calcutta Units, which started in early July. The Company was then faced with a demand from the Workers' Union of a bonus for 1968/69 of 20% several times higher than the 4.5% payable under the Bonus Act. Whilst bi-partite discussions were continuing for an agreement on the issue, the Daily Rated Workers' Union embarked on a programme of agitation, joined later by the other two Unions in Calcutta. Hostile demonstrations, accompanied by defacing of Company property, were held before the Company's offices and the workmen resorted to go-slow tactics, intimidation of individual officers and pre-planned intermittent illegal stoppages of work and finally illegal cofinement lasting until midnight of a Company's officer on 14th August. He had to be eventually rescued by the police. In the meantime production, which had been dropping gradually, had been reduced to virtually nil in one factory and to a completely uneconomic level in the other factory. Under these circumstances, the Company was left with no option but to close its Calcutta factories on 16th August. From the same date, the employees attached to Head Office and Research Department went on strike. Demonstrations and slogan shouting, with the free use of abusive language, continued thereafter for nearly 8 weeks, and officers as well as ladies on our staff had to be rescued on several occasions by the police on the strength of search warrants issued by the Court. After several tri-partite meetings, an agreement was finally reached on 8th October, and the two factories re-opened on the 9th. The strike at the other two establishments was withdrawn from that date. As I have said before, the profit for the year reflects the very serious impact of these events. I would like to believe that the workmen realise that until and unless they identify themselves with the prosperity of the Company, their earnings and employment potential must necessarily be seriously affected and in the long run be in jeopardy. It is most unfortunate that West Bengal, which has suffered a severe recession in 1966 and 1967, and which should now be recovering from it as are other parts of our country, has been unable to register anything like the industrial growth rate that many other comparable States have been able to achieve. There is virtually no capital formation and reports continue to be heard of flight of capital. This must, in a large measure, be attributed to the most unsatisfactory industrial relations climate, militant trade unionism, and the law and order problem in the State. If this declining trend in industrial investment continues, it will have the most serious repercussions not only on the economy of the State but that of the whole country. If the industrial climate improves and the law and order situation is what one normally expects in any well administered State, there is no reason why West Bengal should lag behind other parts of India in industrial growth and progress.

13. In the Company's establishments outside West Bengal industrial relations were satisfactory and a three-year agreement on bonus was concluded. I wish to thank all employees for their co-operation in this connection. I would also like to pay a tribute to the Company's management staff and ladies at Clacutta who bore up with the severe ordeal during the closure period with great courage and devotion, and to our drivers and watch and ward staff who attended to their duties during that period.

Managing Director

14. Mr. D.I. Allport who came to India in March last year, will be leaving in August to take up a senior appointment with Metal Box in England. It is the Board's intention to appoint Mr. P.K. Nanda to succeed Mr. Allport as the Managing Director. The Board also proposes to appoint Mr. A. Ray as the Deputy Managing Director. We are grateful to Mr. Allport for his able stewardship during this short but what turned out to be one of the most difficult periods in the Company's history. Our best wishes will be with him in his new assignment.

The Future

15. The phase of easier raw mterial supplies which we had hoped to have entered by now, has been further delayed so that it is difficult to forecast to what extent the growing demand for your Company's products can be met in the current year. The increase in prices of tinplate and other costs as a result of the fiscal budget, has compelled the Company to increase the selling prices of many of its products, which, coupled with new excise duties, will make some impact on demand. However, we can still look forward to the year with cautious optimism and a fair improvement in profits, given a reasonable supply of raw materials and, more important, a period of relative tranquility on the industrial front, particularly in West Bengal.

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

Shri J. H. Tarapore

SOUTH INDIA SHIPPING CORPORATION LIMITED

Speech delivered by Shri J. H. Tarapore, Chairman, at the Sixth Annual General Meeting held on the 29th June, 1970.

Gentlemen,

It gives me great pleasure to greet you and welcome you to the Sixth Annual General Meeting of our Company.

Political and Economic conditions — General

As in the past I would like to touch very briefly upon the world political and economic conditions.

I am sure, the members would have learnt with deep concern, grave calamities visited on some parts of the world in recent times, particularly the unprecedented floods in Romania and some other East-European countries, and the severe earthquake in Peru, in which thousands of lives were lost. Our heartfelt sympathies go out to these people in distress.

The immaturity of man the world over, in the political and social spheres is in strange contrast to his tremendous scientific achievements. Man has landed on the Moon and yet problems which are susceptible of solution acceptable to all concerned, continue to remain with us. The war in Vietnam not only continues unabated without any foreseeable prospects of an early solution, but has now spread on to neighbouring Cambodia. The stalemate in the Middle East continues, with ever increasing hostility between Israel and the Arab countries. There has been no change in the aggressive and hostile attitude towards us, on the part of our two neighbours, China and Pakistan. In short, the major international political problems and conflicts of the sixties have continued with us, in the seventies, unresolved and if anything, further aggravated.

On the economic plane, severe imbalances in trade between countries, including highly developed countries, continue to plague us with uncertainty, and have brought about refixation of the parity values of some of the currencies. As was feared, the French franc was devalued in 1969. The members may recall my mentioning last year that, in the event of any revaluation of the Deutsche mark, which appeared probable then, and which came about in October 1969, the loan commitments of the company would go up considerably. As stated in the Directors' Report, this has imposed heavy additional financial burden on the company. There is fear of further revaluation of the Deutsche mark, as evidenced by the continued weakening of the U.S. dollar. The recent floating of the Canadian dollar, adds to this fear. There have been persistent rumours of an impending revaluation of the Japanese yen. The fact that in the recent months, Japanese shipbuilders insist on concluding building contracts with values expressed in yen instead of U.S. dollars, as was the practice for a number of years, lends credence to these rumours.

On the domestic scene, 1969 witnessed interesting events in the political spehre. It saw the holding of the presidential election with due adherence to the democratic processes and the installation of our revered and respected Sri V.V. Giri as President. This year, which happened to be the Mahatma Gandhi Centenary year also witnessed the breaking up of the Congress into two rival parties. This has led to political instability bringing in its wake, the attendant evil of the Governments having to act more for political expediency, than in the interest of the country. The Law and Order position has severely deteriorated with the further growth of the Naxalite menace on the one side and communal riots on the other. In fact, social restlessness and protest against even a minimum measure of authority for the common good, would appear to be an international malady, as evidenced by continued unrest, strikes, protest marches and the like, the world over.

The year 1969 also witnessed the nationalisation of the major scheduled banks of the country. So much has been said for and against this, it would suffice here to say that, it is not understood, when these banks were practically under the complete control of the Central Government, why it was considered necessary to take on the additional burden of paying compensation and assume the onus of management and set at bay the favourite whipping boys, Capitalists and Industrialists.

Last month, the Fourth Five Year Plan was presented to the Parliament, envisaging a total outlay of Rs. 24,882 crores. It is sad that, the priorities fixed for expenditure in various sectors and spheres have again been made for ideological reasons, rather than with a view to ensuring growth with stability.

However, it is heartening to note that agriculture has been given its due importance in the Fourth Plan, the target for increase in agricultural produce, being fixed at 5 p.c. per annum. A necessary safety valve against inflation, is to ensure adequate outlays for production of foodgrains and basic consumer goods. Recently we passed through a very critical period in our national economic life. Two successive years of drought aggravated industrial recession in the midst of heavy inflation. Thanks to our scientists and technicians who have laboured hard to evolve new varieties of seeds and to the millions of farmers who have seized the opportunity offered by the green revolution, we have been able to reap good harvests in 1968/1969. Timely rains and the stability imparted to agricultural production, have brought us into the seventies, in a somewhat happier position than what it was, in the late sixties.

On the whole, industry also has turned the corner and the process of recovery is

fairly advanced. The steep rise in prices, is somewhat arrested and foreign exchange reserves and export earnings show an upward trend. We are now also in a better position to reduce our reliance on imports, even in regard to sophisticated machinery and indeed have begun exporting non-traditional items, on a sizeable scale.

We have, of course, a long way to go yet in raising the standard of living of the people to a reasonable level and in achieving self-reliant growth. However, the economic conditions now prevailing, offer a reasonable opportunity, to pursue in a determined manner, the objectives of growth with stability.

2. The Directors' Report, the audited statement of Accounts for the year 1969 and the Auditors' Report thereon, have been with you for some time, and with your permission, I shall take them as read.

Financial Results

3. You must have noted from these accounts and reports that, in 1969, freight rates in all the trades your Company is interested in, fell well below remunerative levels. This year was also most unfortunate for your fleet, in respect of berthing delays, strikes, slow rates of loading and discharging, weather, etc., which have resulted in a very steep fall in the profits of the Company for the year under review. However, I am happy to advise that the net worth per share as at 31st December, 1969 is very nearly four times the paid value of the shares. The net disposal surplus for the year is Rs. 61.18 lakhs, after providing for interest of Rs. 90.28 lakhs, depreciation of Rs. 112.28 lakhs and after adjusting credits and debits relating to prior years. I am confident the members will concur with the view of the Directors regarding the need for conservation and consolidation of the Company's resources in the early years, particularly bearing in mind the periodical severe slumps affecting the tramp trade in which your company is wholly engaged at present. In view of this, and in view of the steep fall in profits in 1969, I trust, the Directors' recommendations regarding disposal of the above surplus, through transfer of a sum of Rs. 36.60 lakhs to the Development Rebate Reserve, and Rs. 25.00 lakhs to General Reserve and further, payment of dividend, wholly free of tax, at the rate of 7.5 per cent on the equity paid-up Capital, from and out of the said General Reserve, would be found acceptable.

Labour

4. History repeated itself in May and June 1970, in the matter of avoidable detentions, such as berthing delays, strikes, dislocation of cargo supplies, breakdown of loading facilities etc. The m.v. "Chennai Jayam" took 20 days to load iron ore at Paradip. The "Chennai Perumai" and the "Chennai Sadhani" took 33 days and 18 days respectively to load iron ore at Madras. Whilst the strike was on at the port of Madras, some Southern Railway staff also went on strike. These strikes were followd by strikes in Bombay, Cochin and Calcutta ports. When we consider the repercussions of such frequent strikes in essential services, we are left aghast. I had, last year, briefly explained the adverse repercussions, such delays have on the profitability of your company and the chain of adverse reactions which follow. Suffice to say here, these avoidable delays at Paradip and Madras, have reduced your company's earning in 1970, by about Rupees two and a half million, which can never be recovered. Not only does the action of the few misguided individuals, put to loss the widely connected labour force in other industries and the users of the port, but the country as a whole, is also put to substantial irreparable loss, severely retarding its economic growth. India can ill-afford such luxuries of indiscipline and poor organisation. To live beyond ones means, is a self-destroying process. It is very illuminating to learn that due to strikes and other stoppages, India with about 7 million employed in industry, loses about 10 million man-days a year, whereas, Germany, with about 14 million employed in industry, loses about 50,000 man-days. The devaluations of the Indian rupee, the Pound sterling, and the French franc, and the revaluation of the German mark, and the rumours of the imminent revalution of Japanese yen, do not seem to have taught us any lesson. Let us hope wiser counsel will prevail and timely action will be taken by the competent authorities to eliminate avoiddable delays. Barring avoidable delays and should the market hold firm in the next six months I expect we shall make profits slightly in excess of those of 1968.

I am sure you will agree with me that, the only solution to India's problems, is to achieve rapid economic growth with stability and that, any action which inhibits growth, needs unqualified condemnation. For growth with stability, our major objective should be the creation of a low-cost economy. Unfortunately, we seem to be moving in the opposite direction. The only practicable solution is to ensure that, the wage structures throughout the country, are throughly re-orientated towards incentives and productivity.

One of the factors severely hampering the productivity and efficiency of industry today is the intense inter-union rivalry, which has led to competing and inflated demands by unions, regardless of the economic circumstances of industry and resort to unconstitutional action and at times, to out-right violence. One of the dominant reasons for labour is that the leadership of the Unions in many instances is in the hands of politically motivated persons instead of true representatives of labour. Politically motivated strikes are entirely beyond the control of management.

The National Commission on Labour, whose members are men of great eminence and experience in their respective fields, after a careful study to the intricate problems of labour relations, have produced a set of commendable recommendations, which, in the interests of the country, we trust, will be given a fair trial by the many interests involved — employers, employees, political parties, and the Central and State Governments — and that these interests, will be able to rise above their sectarian viewpoints.

Market until mid-June 1970

5. The Directors' Report deals at some length with the trading conditions obtaining during the year under review and upto end of April 1970. Thereafter, till about the end of May, the freight rates remained at boom levels, with Japanese engaged in extensive forward fixing in both voyage and timecharter sections of the business. Continued firmness in Tanker market also reduced the threat of tankers making inroads into grain trades. However, towards the end of May/early June, unexpected slackening in Japanese enquiries caused a set-back in Atlanic trades. The manner in which the tramp freight rates fluctuate so suddenly and unexpectedly, is evidenced in the freight market report of "FAIRPLAY International Shipping Journal" dated 4th June, 1970. To quote, "prior to weekend, the dry cargo charter market appeared to be primed fully for a renewed upsurge in freight rates, but in effect, just the reverse happened. Most London ship brokers were at a loss for an explanation of the unexpected turn of events in the face of stringent tonnage supply and a reasonably healthy demand for the earlier loadin positions."

By mid-June, the Japanese enquiry had dropped quite substantially and freight rates were depressed. However, this does not indicate that any serious downward trend in rates has set in, considering the tonnage disposition and anticipated revival of enquiries on Japanese account.

Future Trends

6. Somewhat promising signs have now appeared to indicate that though

tramp freight rates may not rise further and even fall to some extent, fairly remunerative tramp freight rates may continue for some time to come. The rate of growth of the sea-borne trade and the annual increase in tonnage, over two/three years, seems fairly balanced and it is felt, freight should not slump to 1969 levels. Large tankers and bulk-carriers, pressed ito service after the Suez canal closure, have been absorbed by the increase in sea-borne trade. Even if the Suez canal were to be opened (which seems imporbable in the near future), as it would be quite sometime before it becomes operational, it should not have any immediate effect on the freight rates.

This apart, a number of over-aged vessels, which are now plying remuneratively, thanks to the very high freight structure, will have to be scrapped, as soon as the freight rates fall to reasonable remunerative levels, as then, they would become uneconomical to operate.

Grain, Coal, Ore, and Oil should remain the principal sea-borne commodities to cater to the ever-expanding demands of industry and population.

Japan's increasing demands for raw materials for her steel industry, will play a very important role in future trends of tramping trades. The present annual level of 120/130,000,000 tons of imported raw materials, is expected to increase to over 200 million tons in the next few years. By 1975, Japan is aspiring to increase its crude steel production to 160 million tons. Scarcity of raw materials and/or shortage of tonnage, are the principal factors which may upset their plans in this direction. In anticipation of this growth in its industrial production and assessing its transport requirements, Japan has been time and voyage chartering on a long term basis and entering into affreightment contracts, on a large scale, for periods extending to 8/10 years, to ensure adequate timely availability of tonnage for its imports and exports. Japanese cornering of sizeable tonnage and the general increase in traffic, which has led to a scarcity of vessels on short-term time charter and on voyage basis, are very important factors contributing to maintain the present very high levels in tramp freight rates.

The fantastic increases in insurance premia for new acquisitions and the enhanced new building costs and the ever increasing operating costs, are also factors which will be responsible for maintaining the upward trend in freight rates.

Though this is an opportune time for operators to expand their fleets, two factors militate against expansion, the new building costs having gone up by about 30 per cent and the operating costs, increasing steeply and steadily, particularly insurance premia. However, India must add to her tonnage, the very high prices notwithstanding.

Insurance

7. The conditions prevailing in the marine insurance market are far from stable and insurance premium rates in the market, for new acquisitions and penalities recommended under the London Hull formula, continue to rise at an alarming rate. Attempts are also being made to increase the permiums on renewals. If this steep continued increases in the premium rates are not arrested, it may affect adversely the expansion of the world tonnage. Further, the market in London has also proposed revised Institute Time Clauses (Hull), under which the vessels of your Company are also covered. The changes incorporated are most unhappy, in that, not only is the financial burden increased, but the shipowners may also be open to some grave risks. This matter is presently under negotiations with the Indian insurers. Insurance premia now being the largest single expenditure in the operating costs of a vessel, and, tramp shipping, especially bulk carrier trade, being highly competitive, any increase in premia rates and/or revision of the terms and conditions of the policy and/or imposition of penalties, are a matter of great concern to your Company.

Port Development in India

8. As I said last year, great technological advances are rapidly being made, both in the field of port developments and ship designs and types, the very essence of which, is to drastically cut down the costs of transportation.

I am sad to note that in the three Five Year Plans, against a meagre allocation of Rs. 273 crores for development, the ports have utilised only Rs. 144 crores. We appear to be crawling at a snail's pace. I would repeat, Ports are a national asset, on whose efficient functioning, depends, not only the smooth flow of our foreign and domestic trades, but also the cost structure of various industries, and consequently, the economic growth and the health of the country. To illustrate, the iron ore freight, can be brought down by nearly 30 per cent, if the ports are developed to handle 80,000 to 100,000 tonners with actual loading rate of 30,000 to 40,000 tons per day. In other words, our f.o.b. price could be correspondingly increased. Similarly, if other cargoes can be expeditiously and efficiently loaded and discharged the freight element would be appreciably reduced and the f.o.b. prices enhaced and the cost of imported items brought down. It should be borne in mind, when the costs of our imported materials and component parts, etc., are adversely affected., it results in higher production costs, which in turn, increase the costs of our export commodities, relying partially on imported materials and components, with the inherent danger of pricing us out of the export market. A shattering blow indeed to our national economy.

I would here take the liberty to caution the authorities concerned, each day our development programmes are delayed or deferred, we are incurring heavy losses, which can never be recovered and are exposing the country to grave dangers. Australia, which ventured decades later than India into the iron ore export trade, is today far ahead of us. The normal loading rate in the port of Dampier is about 6000 tons per hour, whereas, the normal loading rate in the best equipped Indian port is about 7,000 tons per 24 hours. A single rake comrising of nearly 200 wagons, transports about 20,000 tons of iron ore from the mines directly to the loading port, compared to our rake capacity of 2,500 tons only. To date there is not even a rail-link for transport of ore to the port of Paradip.

I take this opportunity of congratulating Mr. R.R. Bahl, Chairman of the Minerals and Metals Trading Corporation of India, for his recent stupendous achievement, the more so, in view of our very poor facilities in Indian ports, in securing medium term and long term sale contracts, for a total quantity of about 72 million tons of Indian ores, of a total value of about Rs. 550 crores, which constitutes the largest order secured by India. Japan's Steel Industry is its very life line and therefore, the Japanese resort to imports from more than one source. This is evidenced by Japanese also entering into a long term purchase contract for Australian Iron ore and pellets, aggregating to nearly 120 million tons with deliveries spread over a period of 15-21 years. To meet the challenge of other ore exporting countries, particularly Australia, it is of vital importance to develop not only the ports, but also the mining industry and the means of transportation from the mines to the ports, failing which, India may lose its position of being a major exporter of iron ores, leave alone further increase in future, the exports of iron ores.

World Shipping and Indian Shipping

9. Shipping has undergone more changes in the last ten years, than it

did, in the previous two hundred years. These changes, in respect of type size and design have come about through unceasing efforts on the part of those engaged in Maritime research, to cut down on transportation costs and to expedite movements of seaborne commodities and turn round of ships. Tankers of 200,000 DWT are quite common at sea, and vesesels of about 500,000 DWT are on order with shipyards and the feasibility of a million ton tanker is under study. By increasing the size of tankers from 20,000 to 200,000 ton mark, the 'per ton' transportation cost has been cut by about 80 per cent. However, for the time being, 200,000 ton size vessels will be precluded from many trades, because of the draft limitations at ports and many channels on the sea routes.

The world tonnage in May 1969 crossed the 200 million GRT mark. There has been a very marked increase in the use of specialised ships, such as liquified gas carriers, petroleum product carriers, fruit carriers, Hovercrafts, Container and Lash ships, etc. No doubt, there is still room for a handy size vessel today, but by and large, the trend is towards acquiring bigger, faster and specialised ships.

During the sixties, the growth of bulkcarrier fleet has been ten-fold. This tonnage, in 1960, stood at 6.6 million DWT, as against 66.4 million tons on 1-1-1970. During 1969, the world bulk carrier tonnage increased by 8.8 million DWT, as against 11.2 million tons in 1968. This rate of increase is expected to continue during 1970 and 1971. As on 1.1.1970, there were 481 bulk carriers on order for deliveries upto about end of 1972, with a total DWT of about 28.5 million.

Indian tonnage, which now stands at about 2.3 million GRT, is in a position to carry only about 18 per cent of its foreign trade, although its share in, liner trade has increased to about 45 per cent. It is, however, hoped that, with the addition of tonnage of about one million GRT by the end of 4th Five Year Plan, the share of Indian Shipping in the total overseas trade will be increased to about 40 per cent. Although Indian Shipping has so far made tremendous progress after the Independence, I am afraid, the pace of expansion of the Indian fleets is going to be slowed down due to foreign shipyards' order books now being full to the brim and they being no longer inclined to offer favourable deferred payment terms at low rates of interest, as insisted upon by the Indian Government. The delivery dates having gone into 1973 and beyond, it is difficult to expect addition to Indian tonnage on account of further new orders being placed for the next 3/4 years. However, from time to time, new buildings are offered on resale, the business being concluded within a matter of days. A resale offer of a new building is a distress sale, hence a bargain. But I am afraid, it is impossible for Indian shipowners to seize such few and far between golden opportunities, due to the cumbersome procedure to be followed for obtaining necessary sanctions of the Government of India, for purchase of ships. To illustrate, recently a most attractive resale offer received by your Company, of a 112,000 DWT bulk-carrier backed by a time-charter, was finalised and concluded with a foreign buyer, within a few days, even before your company could compile the necessary information required to apply to authorities for necessary sanction, to buy this ship. This apart, for placement of orders on a shipyard for a new building, unless Indian Government authorities release the foreign exchange to meet at least the down-payment requirements, the expansion of Indian Shipping is bound to be extremely slow and limited to Rupee payment countries, where comparatively, the quality is poor and the costs are high. This apart, Rupee payment countries, are far behind in the building of bulk carriers and specialised ships of the size and type, which are now necessary, for profitable trading, for the working life of the ship. Here again, it is reported, Yugolslavia, one of the principal ship exporting countries to India, has now advised that it will not be in a position to supply ships on full payment in Indian rupees.

As ships engaged in foreign trades, earn adequate foreign exchange, within about 7-8 years, not only to meet their capital cost plus interest on deferred payments but also leave a positive surplus, Government authorities, should agree to set aside a part of the foreign exchange earnings of ships, which can be utilised for making down payments etc. I would, therefore, once again strongly urge the authorities to consider sympathetically the shipowners' pleas for release of foreign exchange for down-payments and expeditious processing of applications. Otherwise, I fear, the Fourth-Five Year plan target of 3.5 million tons may not be achieved.

Whilst not being unmindful of the generous assistance given to shipowners in the past, by way of loans through the Shipping Development Fund Committee. I am constrained to state that this assistance is now shrinking and becoming restrictive despite the fact that, Indian shipowners have earned the richest dividends for the country, thanks to this assistance. Not a single Indian industry can boast of having achieved so much, with so little, as the shipping industry has done. Why then is this assistance instead of being stepped up, being reduced and becoming restrictive.

If India were to follow, even to a small extent, some of the practices of the highly developed countries, such as, the U.S.A., the U.K., Japan etc. in regard to assistance to the national tonnage, the Indian fleet could expand not only at a faster rate than in the past, but also bring in yet higher returns for the comparatively small incentives given.

However, on the whole, the position of Indian Shipping is encouraging. The Indian fleet is the second largest in the East, after Japan and our ships today, trade to and from almost all the important ports of the major trading countries of the world.

In conclusion, I would like to express, on behalf of the Board and the members, our grateful thanks and deep appreciation to the Company's management and the staff, both ashore and afloat, owing to whose untiring sincere efforts and great initiative, the commendable results for the year 1969 have been achieved, despite the most distressing trading conditions that obtained in this year. It is this great, though intangible asset, viz., an imaginative management and an efficient sincere and hard-working executive staff, both of which our company possesses in full measure, that enables us to withstand adversity and to grow from strength to strength.

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

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RECORDS AND STATISTICS

Growth of Industrial Houses

A RECENT study of leading industrial houses for the year 1967-68 by Mr B. Dutta of the Company Law Department has brought out three important facts. First, the assets of the 20 large industrial houses — classified as such by the Monopolies Inquiry Commission on the basis of the assets of each exceeding Rs 35 crores in 1963-64 — increased by more than 54 per cent between 1963-64 and 1967-68. The total assets of these 20 houses amounted to Rs 1780 crores in 1963-64; by 1967-68, they had risen to Rs 2,752 crores. Second, the first three industrial houses, namely, Tata, Birla and Martin Burn, retained their 1963-64 ranking in 1967-68 but Mafatlal rose from the 15th position to the fourth, pushing Bangur to the fifth rank. Third, the list of large industrial houses (assets: Rs 35 crores) increased from 20 to 30.

The text of the article follows:

The rate of growth of the industrial houses is one of the mechanisms of measuring concentration of economic power. Economic power is, however a qualitative concept, which cannot be subjected in the strict sense to precise measurement. The Monopolies Inquiry Commission when asked to define the term 'concentration of economic power' observed "This is not easy nor it is necessary". Even the Monopolies and Restrictive Trade Practices Act, (MRTP Act) which through the provisions of Chapter III seeks to regulate such concentrations does not attempt any precise definition of the term. However, through the methodology of approach adopted, it could be observed that the Mahalanobis Committee Report, the Monopolies Inquiry Commission (MIC) and the Industrial Licensing Policy Inquiry Committee (ILPIC) have used the size of the capital under common control as a measure of the degree of concentration of economic power.

In some of the earliest attempts made in this direction the concentration in terms of owners' capital of commonly controlled bodies corporate and more particularly the paid-up capital of such bodies corporate was taken as one of the standards of measurement of 'concentration of economic power'. For locating concentration, the Monopolies Inquiry Commission prepared a list of business groups each controlling a group of companies. Only such business groups as were found by the Commission in control of total capital employed (excluding depreciation) of at least Rs 5 crores, were taken to form part of its study in this regard. The Commission thus in a way accepted control over total capital employed, after allowing for deductions on account of value of fixed assets as a measure of concentration. The paid-up capital forms only a part (some time quite small) of the total and cannot, therefore, be taken as an appropriate indication of the existence or furtherance of concentration.

The Monopolies and RestrictiveTrade Practices Act, refers in the context of regulating expansions, amalgamations, mergers and the like to assets of certain size owned by inter-connected undertakings. The concept of assets in MRTP Act in so far as bodies corporate are concerned, is the same as defined in the Companies Act, viz., total capital employed *minus* value of depreciation, commonly known as 'assets' which are equal to total liabilities in the accounting sense. For the study presented in this article, the growth of industrial houses has been measured in terms of assets as defined above though data relating to paid-up capital have also been given.

The scope and Methodology

The Monopolies Inquiry Commission extended the scope of its study relating to concentration of economic power in the private corporate sector to 75 business groups whose total assets in each case were found to be not less than Rs 5 crores. On the basis of the composition of each business group decided upon the the Commission in view of the criteria evolved by it, assets of companies considered as belonging to these groups were taken as a measure of control over capital exercised by the business groups individually. The exercise by the Monopolies Inquiry Commission related to the year 1963-64. The Industrial Licensing Policy Inquiry Committee for the purposes of deciding about the composition of industrial houses covered the same 75 groups as indicated by the MIC in its Report. these houses were named by the ILPIC as 'large industrial houses'. The Committee not accepting the composition of the industrial houses as given by the MIC evolved a new set of crtieria as detailed by it in para 2.16 of its Report. The data presented in the Report by the ILPIC in respect of the industrial houses as constituted by it was as on 31st December 1966. In this article, for the purposes of presentation of data, the composition of the industrial houses for the year 1963-64 has been taken as adopted by the Monopolies Inquiry Commission and for 1966 as by the Industrial Licensing Policy Inquiry Committee.

In fact, the data presented in this article for these two years is as given by the two bodies. For 1967-68, however, the data have been culled out from the published annual accounts of companies shown as belonging to the 75 industrial houses by the Industrial Licensing Policy Inquiry Committee. Adjustments have, however, been made for liquidations, mergers and in respect of companies struck off the Registers maintained by the Registrars of Companies. The coverage of the study presented in this article extends to all the 75 industrial houses for the years 1963-64, as on 31st December 1966 and the year 1967-68. The number of industrial houses listed by the ILPIC is 72 as the Committee merged a few houses during the course of its study. In terms of the coverage, however all the 75 industrial Houses were accounted for in the ILPIC study and as mentioned earlier, have been covered in this article.

Overall Position of 75 Industrial Houses

On the basis of the composition of industrial houses as decided upon by the Monopolies Inquiry Commission, the total assets of 75 industrial houses listed in its report amounted to Rs 2605.9 crores in 1963-64. As already mentioned, the Industrial Licensing Policy Inquiry Committee confining its study to the seventy five houses adopted a somewhat different set of criteria for deciding about their composition. This resulted in some increase in the number of companies taken as belonging to them. The assets of the companies constituting the 75 industrial houses aggregated to Rs 3418.5 crores as on 31st December, 1966. In 1967-68, the assets of the 75 industrial houses amounted to Rs 4032.4 crores. The position regarding the growth in paid-up capital and assets of the 75 industrial houses taken together for the period 1963-64 to 1967-68 is given in Table I.

Aggregate assets of companies belonging to the 75 industrial houses increased in absolute terms by Rs 1426 crores over the period 1963-64 to 1967-68. In terms of percentages, increase in assets works out at 54.7 per cent over the same period. But the paid-up capital of the 75 industrial houses taken together increased only by 40.3 per cent. In absolute terms, the increase in paid-up capital was only

261 crores. A part of the increase in assets, etc. in 1966 and 1967-6° over the 1963-64 level is because of larger number of companies included by the ILPIC in the industrial houses. To an extent a comparatively larger increase in terms of assets is attributable to the use of the community's funds by the industrial houses obtained by way of borrowings.

TABLE I

(Rs crores)

Year	Paid-up capital	Assets
1963-64 as per MIC Report	646.5	2605.9
As on 31st December 1966 as shown in the ILPIC Report	776.8	3418.5
Percentage increase in 1966 over 1963-64	20.2	31.2
1967-68 (as now worked out)	907.3	4032.4
Percentage increase in 1967-68 over 1963-64 level	40.3	54.7

Growth in Concentration

The MIC had, on a rough basis, placed aggregate assets of the private corporate sector excluding banking companies, at Rs 5552 crores in 1963-64 (vide p. 122 of MIC Report). On this basis, the Commission arrived at the conclusion that "the proportion of the assets of the 75 groups to those of all non-government and non-banking companies, therefore, works out at 46.9 per cent"; the assets for the year 1963-64 for the 75 industrial houses having been placed at Rs 2605.9 crores. By 1967-68, the assets of these houses, as mentioned earlier, increased to Rs 4032.4 crores. On the other hand, the assets of the entire private corporate sector excluding banking companies on a rough calculation appear to have reached the level of Rs 7500 crores in 1967-68. On this basis, the share of the 75 industrial houses in terms of the assets owned by them would work out at 53.8 per cent of the total indicated for the entire private corporate sector. In other words, the concentration in terms of control over the community's funds increased from 46.9 per cent in 1963-64 to 53.8 per cent in 1967-68. Over the same period, the increase in the total assets of the entire private corporate sector was of the order of only 35 per cent. In absolute terms, of the total increase of nearly Rs 1948 crores in assets of the entire private corporate sector, the 75 industrial houses accounted for an increase of Rs 1426 crores, i.e. nearly 73 per cent of the total.

Larger Industrial Houses

The Industrial Licensing Policy Inquiry Committee classified 20 industrial houses, each with assets of more than Rs 35 crores in 1963-64. as "larger industrial houses". The assets of these 20 houses amounted to Rs 1779.8 crores in 1963-64. By 1967-68 their assets which amounted to Rs 2752 crores stood higher by 54.6 per cent than in 1963-64. In absolute terms, the increase in the assets of 20 larger industrial houses amounted to Rs 972.2 crores over the period 1963-64 to 1967-68. A comparative picture of the asset position of the 20 larger industrial houses for the year 1963-64, as on 31st December, 1966 and as in 1967-68 in terms of individual houses is indicated in Table II.

It is interesting to note that some of the houses listed above achieved unprecedented growth during the period 1963-64 to 1967-68. For instance, the assets of the industrial house of Mafat-

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lal increased during the period by 195.9 per cent., Birlas recorded an increase of 96.6 per cent followed by Shri Ram whose assets increased by 96.4 per cent. Surajmull Nagarmull recorded an increase of over 87 per cent, Sarabhais by 68.2 per cent, Bangurs by 60.3 per cent and Walchand by 54.7 per cent. The increase in the assets of other houses over the period though substantial was between the range of 13.1 per cent for Kilachand to 49.6 per cent for Killicks.

If the 20 larger industrial houses are ranked according to their holdings of assets, it appears that the top five houses accounted for 58 per cent of the total assets of 20 larger industrial houses in 1967-68 ad the top ten houses accounted for nearly 77 per cent of the total. Table III explains the position :—

Quite a few industrial houses changed their ranking between 1963-64 and December 31, 1966. On account of a comparatively faster rate of growth in assets, as many as 9 industrial houses improved their ranks indicated for them in 1963-64. On the other hand, on account of decline in the rate of growth of some six industrial houses there took place a decline in their ranking as well, But five were able to maintain their ranking as given to them by MIC in 1963-64. Further changes in the assets position of the industrial houses recorded by 1967-68 altered once again the ranks of the industrial houses. The details in respect of these houses are given in Table IV. But the position in respect of a few houses is indicated below.

TABLE III

(Rs. crores)

	Assets in 1967-68	Percentage
1. Topmost House	584.6	21.2
2. Topmost 2 Houses	1160.2	42.2
3. Top 5 Houses	1595.3	58.0
4. Top 10 Houses	2105.4	76.5
5. Top 15 Houses	2480.5	90.2
6. Top 20 Houses	2752.1	100.0

TABLE II

(Assets Rs crores)

Sl. No.	Industrial House	As per MIC report 1963-64	As per ILPIC As on 31-12-66)	1967-68	Per cent increase in 1967-68 over 1963-64
1.	Tata	417.72	505.36	584.63	39.9
2.	Birla	292.72	457.84	575.60	96.6
3.	Martin Burn	149.61	153.06	174.29	16.5
4.	Bangur	77.91	104.31	124.88	60.3
5.	A.C.C.	77.36	89.80	105.84	36.8
6.	Thapar	71.90	98.80	103.30	43.7
7.	Sahu Jain	67.69	58.75	79.68	17.7
8.	Bird Heilgers	60.10	68.62	78.62	30.8
9	J.K. Singhania	59.20	66.84	78.75	33.0
10.	Surajmull Nagarmull	57.37	95.62	107.34	87.1
11.	Walchand	55.17	81.11	86.24	54.7
12.	Shri Ram	54.68	74.13	107.41	96.4
13.	Scindia	46.96	55.98	65.44	39.4
14.	Goenka	46.95	65.34	64.55	37.5
15.	Mafatlal	45.91	92.70	135.87	195.9
16.	Sarabhai	43.16	56.71	72.58	68.2
17.	Andrew Yule	41.89	46.75	54.12	29.2
18.	Killick	41.50	51.07	62.10	49.6
19.	I.C.I.	36.89	50.06	51.11	38.5
20.	Kilachand	35.13	37.23	39.72	13.1
	Total	1779.82	2310.07	2752.07	54.6

TABLE IV

The Improvement in the Ranking of Industrial Houses over the period 1963-64 to 1967-68.

Name of the House	Rank in 1963-64	Rank in 1967-68
Mafatlal	15	4
Shri Ram	12	6
Sarabhai	16	14
Walchand	11	10
Killick	18	17
Soorajmull Nagarmull	10	7
Tatas	1	1
Birlas	2	2
Martin Burn	3	3

The ranking of the top 5 industrial houses as per the assets position in 1967-68 is as follows :

TABLE V

Name of the House	Rank
Tatas	1
Birlas	2
Martin Burn	3
Mafatlal	4
Bangur	5

The assets of these top 5 houses amounted to Rs 1595.3 crores in 1967-68 which formed more than 58 per cent of the total assets of the 20 "larger industrial houses". The top 2 industrial houses accounted for 42 per cent of the total assets of the 20 larger industrial houses.

As already mentioned, the assets of the 20 larger industrial houses, amounted to Rs 1779.8 crores in 1963-64 and Rs 2752.1 crores in 1967-68. The share on this basis of the 20 larger industrial houses in aggregate assets for the entire private corporate sector (excluding banking companies) was 32 per cent in 1963-64. By 1967-68, the assets owned by these 20 Industrial houses accounted for 37 per cent of the total assets of the entire private corporate sector. The bulk of the increase was accounted for by a few major houses viz., Birlas, Tatas, Mafatlal, Shri Ram, Surajmull Nagarmull, Bangur, Sarabhai, Walchand and Thapar.

Larger Industrial Houses—Additions Necessary

The analysis of the accounts of companies belonging to the 75 industrial houses for the year 1967-68 reveals that 10 industrial houses whose assets ranged from Rs 11.68 crores to Rs 33.94 crores in 1963-64 have now qualified for being classified as larger industrial houses if the definition of such houses adopted by the Industrial Licensing Policy Inquiry Committee is followed. The assets of each of these 10 houses were higher than Rs 35 crores in 1967-68. For instance, the assets of Seshasayee, the smallest of the 10 industrial houses, amounted to Rs. 40.49 crores in 1967-68. The largest group among these 10 houses, viz. Macneill Barry-Binny owned assets of the value of Rs 62.56 crores in 1967-68. The assets of each of these 10 houses for the year 1963-64, as on 31st December, 1966 and as in 1967-68 together with percentage increase in their assets recorded in 1967-68 over 1963-64 level are indicated in Table VI.

TABLE VI

(Assets Rs crores)

Sl. No.	Name of Industrial House	As per MIC Report (1963-64)	As per ILPIC 31-12-66	In 1967-68	% increase in 1967-68 over 1963-64
1.	Kasturbhai Lalbhai	33.94	51.19	59.21	74.5
2.	Macneill & Barry-Binny	29.21 / 21.13	57.28	62.56	114.2
3.	Jardine Henderson	28.51	41.82	43.91	54.0
4.	T.V. Sundaram Iyengar	21.87	43.83	50.86	132.6
5.	Mahindra & Mahindra	20.12	38.58	51.34	155.2
6.	Kirloskar	19.12	43.02	61.20	220.1
7.	Khatau (Bombay)	13.62	40.09	46.85	244.0
8.	Parry	11.68	41.93	53.79	360.5
9.	Seshasayee	26.69	32.72	40.49	51.7
10.	Bajaj	21.14	35.24	45.54	115.4

Each of the ten industrial houses listed above has improved its position to be ranked along with the 20 larger industrial houses listed earlier in this article. It would be of interest to note that Parry recorded an increase of 360.5 per cent in its assets over the period 1963-64 to 1967-68. Over the same period, Khatau recorded an increase of 244.0 per cent, Kirloskar of 220.1 per cent, Mahindra & Mahindra of 155.2 per cent, T. V. Sundram Iyengar of 132.6 per cent and Bajaj of 115.4 per cent.

On the basis of the criteria adopted by the Industrial Licensing Policy Inquiry Committee the list of larger industrial houses with assets of Rs 35 crores and more in 1967-68 would stand expanded to 30 instead of 20 listed by the ILPIC on page 18 of its Report.

Thirty Larger Industrial Houses

It follows from the above analysis that 30 industrial houses can be classified as "larger" industrial houses. It would thus be interesting to indicate in broad terms, the aggregate assets owned by them in the year 1967-68 as compared to the top 30 houses of 1963-64. The total assets of the 30 Houses now classified as "larger" industrial houses amounted to Rs 3267.8 crores. The table VII indicates the position *vis a vis* the total assets of the 75 industrial houses taken together.

The total assets of the 30 larger industrial houses for 1967-68 accounted for 81 per cent of the aggregate assets of 75 industrial houses and 43.6 per cent of the assets of the entire private corporate sector (excluding banking companies) calculated at Rs 7500 crores for 1967-68. The degree of concentration of ownership of assets in terms of relative share of top most houses in the assets of companies belonging to the 75 industrial houses is indicated in table VIII.

Part A of Chapter III of the Monopolies and Restrictive Trade Practices Act *inter alia* tends to regulate expansion, establishment of new undertakings, mergers and amalgamations, etc. of interconnected undertakings which taken together own assets of the value of not less than Rs 20 crores. On the basis of the definition of Interconnected undertakings given in clause (g) of section 2 of the Act in so far as it is applicable to bodies corporate, a group of inter-connected companies

TABLE VII

(Rs crores)

Year	Assets of 30 Houses	Assets of 75 Houses	Percentage share of 30 houses in the assets of 75 Houses
1963-64 as per MIC Report	2048.5	2605.9	78.6
As at 31st December, 1966 as per ILPIC	2736.0	3418.5	80.0
1967-68	3267.8	4032.4	81.0

NOTE: The top 30 houses; are not common for the three years. On the basis of the size of their assets during the relevant year, the houses included in this list have undergone changes.

TABLE IX

(Assets Rs crores)

Name of the Industrial House	As per MIC Report 1963-64	As per ILPIC Report on as 31st December 1966	In 1967-68
1. Dalmia, Jay Dayal	26.57	26.71	30.31
2. Simpson	21.79	32.91	34.65
3. Shaw Wallace	21.25	22.27	27.76
4. Naidu G.V.	20.85	26.41	26.52
5. Turner Morrison	19.90	23.14	24.17
6. Ruia	18.92	22.40	23.74
7. A. & F. Harvey	18.69	21.83	25.19
8. Nowrosjee Wadia	18.54	20.56	25.95
9. Shapoorji Pallonji	18.69	26.35	27.83
10. Thiagaraja	16.81	16.54	20.01
11. V. Ramakrishna	13.61	17.78	23.95
12. Thackersey	13.51	17.19	22.45
13. Naidu V.R.	12.94	21.55	22.98
14. Gillanders Arbuthnot	12.83	29.01	26.93
15. Modi	11.28	19.38	32.53
16. Rallis	10.80	17.94	21.98
17. Tube Investment Murugappa Chettiar	10.69	20.06	22.56
18. Kamani	12.06	18.04	20.88

TABLE VIII

RELATIVE SHARE OF TOP MOST HOUSES IN ASSETS

Number of the Top House	Assets (Amount in crores)	Percentage of total assets of 75 Industrial Houses
Topmost House	584.6	14.5
Top 2 Houses	1160.2	28.8
Top 5 Houses	1595.3	39.3
Top 10 Houses	2105.4	52.3
Top 15 Houses	2480.5	61.5
Top 20 Houses	2790.1	69.2
Top 25 Houses	3050.2	75.6
Top 30 Houses	3267.8	81.0
Remaining 45 Houses	764.6	19.0
Total 75 Houses	4032.4	100.0

would conform to the concept of an industrial house. In the circumstances, the provisions of Section 20(a) of Chapter III of the MRTP Act would become applicable to industrial houses owning/controlling assets of not less than Rs 20 crores. Viewed at from this angle, it would be of practical value to indicate the houses which were controlling and/or owning assets of not less than Rs 20 crores in 1967-68. In the foregoing paragraphs of this article, we have already brought out details of those industrial houses which owned assets of the value of not less than Rs 35 crores. To that list may be added the following 18 industrial houses whose assets were in the range of Rs 20 crores to less than Rs 35 crores in 1967-68 worked out on the basis of the composition of Industrial houses determined by the ILPIC. (Table IX)

In 1963-64, industrial houses owning assets of the value of not less than Rs 20 crores only were 33 in number. In other words, over the period between 1963-64 to 1967-68 the number of industrial houses owning assets of not less than Rs 20 crores had increased by 15. For the purposes of the MRTP Act, therefore, 48 industrial houses would be covered.

The analysis presented above, as already mentioned, is based on the composition of industrial houses adopted by the industrial Licensing Policy Inquiry Committee. Such changes as may have to be allowed in the context of later developments pertaining especially to the abolition of the Managing Agency system or any other factors have not been taken into account. It may, however, be mentioned that it is not necessary that changes would essentially lead to reduction in the number of companies controlled/owned by the industrial houses.

Tables I and II of this article list the position regarding the paid-up capital and assets of all the 75 houses individually for the year 1963-64, as on 31st December, 1966 and as in 1967-68. Accordingly the detailed information about 24 industrial houses (i.e., those which had assets ranging between Rs 5 crores and below Rs 20 crores) not covered in the foregoing paragraphs of this Article can be studied by referring to those tables. Some of the industrial houses which recorded phenomenal growth in physical terms are Birlas accounting for an increase of Rs 283 crores in 1967-68 over the 1963-64 level, Tatas accounting for an increase of Rs 167 crores, Mafatlal accounting for an increase of Rs 90 crores over the same period. Surajmull Nagarmull accounting for an increase of Rs 50 crores, etc. It would probably be interesting to analyse the sources from which funds were obtained by these Industrial houses and their uses.

At the end, it may be mentioned that there are a few industrial complexes emerging on the private corporate scene which have not been taken into account in this article. The author had the occasion of referring to the Larsen and Toubro industrial house in an Article which appeared earlier in Company News & Notes. This house was controlling/owning assets of the value of Rs 46 crores in 1967-68. On the basis of the criteria adopted in this Article the house qualifies for being classified as a 'larger house'. A few other industrial houses, viz., Rohits, Chougules, Ghias, Narang, etc. which, though fairly large, are still out of the purview of the studies undertaken in this regard. Their assets would be large enough to range between Rs 5 crores and Rs 20 crores each. But, their present composition is not yet available and details cannot be worked out.

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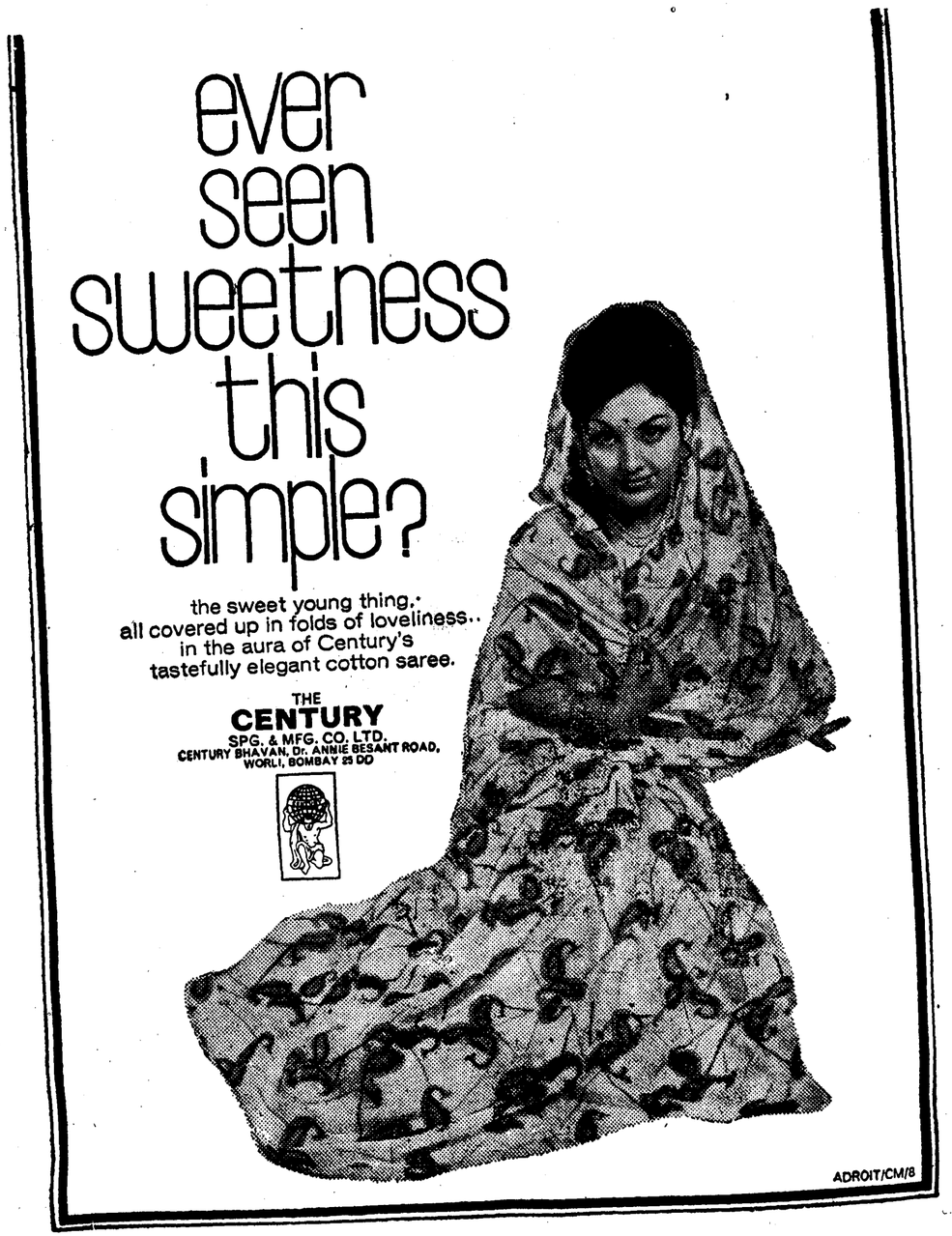

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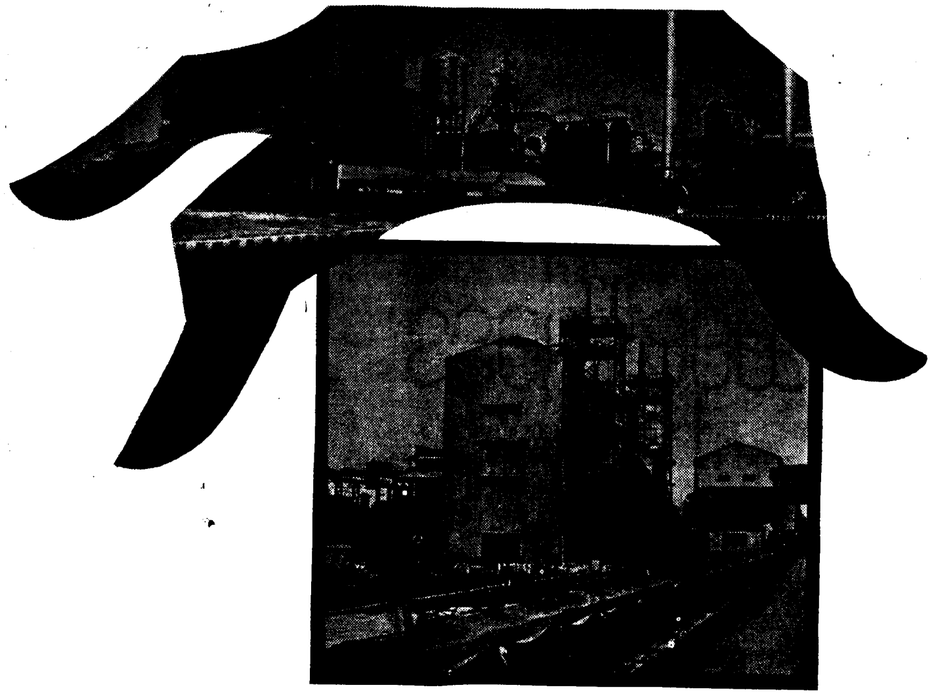

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CHALLENGES FOR MR BHAGAT

LAST week we expressed the view that Mr Y.B. Chavan's transfer to the Finance Ministry might bring, in due course, some modest gains to the administration and therefore to the country. It is also possible to take an optimistic view of Mr B.R. Bhagat's new assignment as Minister of Steel and Heavy Engineering.

It is no doubt a pity that Mr Bhagat's work at the Ministry of Foreign Trade was interrupted at a time when he was reaching some clear and bold conclusions about activating export promotion both as an urgent operation and as a consistent, forward-looking programme for the entire period of the fourth Plan. At the same time, the Ministry of Steel and Heavy Engineering was clearly crying out for a wholetime cabinet minister who would have sufficient authority and self-confidence to attempt to acquire a firm grip over the problems of policy or organization that have been allowed to run wild in the steel sector. As one among the younger cabinet ministers who had nevertheless exercised ministerial responsibilities for a number of years in the various economic ministries, Mr Bhagat was an obvious colleague to consider when the Prime Minister was casting about for some one who was both willing and able to relieve Mr Swaran Singh of his temporary charge of the Steel portfolio.

One of the immediate challenges which face Mr Bhagat is the meeting of the steel requirements of the engineering industries for export production. Fortunately, thanks to his stint as Minister for Foreign Trade, he has acquired a live and practical appreciation of the importance of ensuring sufficient priority for export production in the allocation of steel. Given the shortfall in domestic steel production, import of steel has become necessary until such time as output picks up at our steel plants. It would be legitimate to expect Mr Bhagat to co-operate fully with the new Minister of State for Foreign Trade in seeing to it that steel does not become a serious bottleneck to the maintenance or growth of engineering exports.

Although, at the moment, almost all kinds of steel or steel products are in short supply, it is fairly clear that, in the period ahead, the really serious deficiencies are likely to develop in steel for special purposes. Development schemes for special or alloy steels have been generally falling behind schedule and this trend has to be read with the fact that industries such as automobile manufacturing have been chronically plagued by the restricted availability of critical steel material. It is high time that the Steel Ministry had bestirred itself and addressed itself to a genuinely promotional programme which would put life and vigour into the various special steel or alloy steel schemes, whether in the public sector or the private.

The ultimate test for Mr Bhagat would, of course, lie in the area of the proper operation of the existing steel plants in the public sector. He should, however, resist the temptation to attempt snap solutions. So far as Durgapur is concerned, the issue is an issue of law and order, a problem of security of plant and personnel. Much avoidable damage has resulted from the central government's mistaken policy of insisting on treating the situation in Durgapur as a trade union problem or even as a political problem. This approach has proved to be such a frustrating exercise that the new Minister for Steel is perhaps in a better position than his predecessors to assert the relevance of the law and order aspect and seek a solution for Durgapur's troubles in terms of the clear and complete restoration of security of plant and personnel.

For the rest, Mr Bhagat would need to nurse patiently the steady evolution of good management practices in the three steel plants. There is no alternative to the building up of competent personnel with a high sense of responsibility, particularly in the higher reaches of technical or commercial operations. The greatest need here is for good team work between the minister and the Chairman of Hindustan Steel. As it is, this relationship had not always been one of perfect understanding. The Chairman of Hindustan Steel may be sorely tempted to behave like a temperamental *prima donna*, but he should not yield to the temptation. The minister, for his part, should allow Hindustan Steel real autonomy in operating the steel plants, but on the strict understanding that the management generally and the chairman, in particular, will have to make itself or himself responsible for the performance. The country has suffered too long and far too grievously through untutored ministerial interference which has messed up the accountability of top executives for the proper running of the industrial or commercial undertakings in the public sector.

The Plight of the Homeless

THE SHARP increase in the population of urban areas in this country from 62.4 millions in 1951 to 101.6 millions in mid-1970 has caused considerable shortage of housing accommodation, particularly in the big cities. The Planning Commission has estimated that the urban population would increase to 152 millions in 1981. It follows that the paucity of housing accommodation would increase further unless corrective steps are taken well in time.

In order to study the housing problem of the cities of Bombay, Calcutta, Delhi, Madras, Ahmedabad and Kanpur, the Government of India appointed a special committee in October last year under the chairmanship of Dr S.M.K. Chetty, Deputy Director, Central Building Research Institute, Roorkee. This committee has now submitted its report to the government and has made some helpful suggestions for speedy attainment of low-cost, large-scale housing construction in these cities.

Before discussing the recommendations of the Chetty Committee report, it is necessary to state that shortage of housing accommodation is a world-wide phenomenon and even the most prosperous countries are not in a position to tackle it fully. Last year, Mr George Romney, the Secretary of Housing and Urban Development in the USA, said: "We're losing ground every year. We're not even building enough to stand still." In the UK, according to an estimate made by Messrs. Harry W. Richardson and Joan Vipond (Lloyds Bank Review, April 1970, page 5), the housing shortage at the end of 1969 was about 700,000 dwellings. In addition to covering this shortfall, the replacement demand for houses over the next decade is estimated at 900,000. In other words, no less than 1.6 million dwellings need to be built in the UK in order to cover the deficit. Even in the USSR where the construction of new apartments has been increased from one million in 1950 to 2.5 millions in 1970, the housing problem has not been fully solved.

The Chetty Committee has estimated, on the basis of data provided to it by the National Buildings Organisation, that the six cities named above had a shortage of 1.9 million pucca residential housing units on July 1, this year. This problem was the most pressing in Bombay followed by Madras, Delhi, Calcutta, Ahmedabad and Kanpur (see Table I). According to the committee, a number of factors have been responsible for the subdued rate of growth in the construction of new houses in these cities, the most important being the rising cost of building materials as well as the increasing wages of workers. The other significant reasons are: lack of long-range building programmes and paucity of research effort to reduce the cost of construction through modern techniques.

TABLE I

ESTIMATED SHORTAGE OF PUCCA RESIDENTIAL BUILDINGS

(As on July 1, 1970)

(In thousands)

City	Housing requirement	Housing stock	Housing shortage
Bombay	1028.9	461.6	567.3
Calcutta	643.5	444.6	198.9
Delhi	687.8	307.7	380.1
Madras	553.2	130.3	422.9*
Ahmedabad	304.1	199.1	105.0
Kanpur	237.7	143.9	93.8

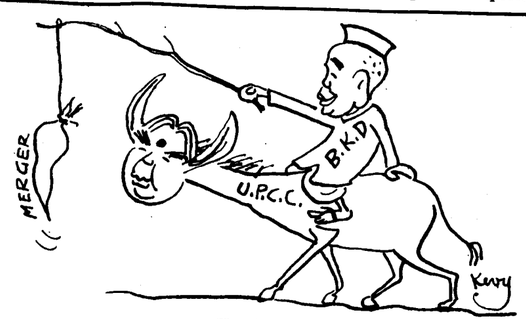
*If houses having roof of shingles, tiles and slabs (which were 39 per cent) are considered as semi-pucca, the shortage will be reduced to 337,000.

Analysing the trends in the cost of construction, the report has estimated that since 1955 the cost of building houses has more than doubled in most of the cities under consideration. With the index of cost of construction at 100 in 1955, Calcutta recorded the highest increase; its building cost index in 1968 was as high as 240. In the case of Bombay, Kanpur, Madras, and Delhi, the corresponding indices for the current year were 235, 230, 202 and 181 respectively. The index for Delhi was relatively low because of certain favourable factors such as the easy supply position of cement, availability at reasonable prices of good quality "stone aggregate" from Badarpur quarry and relatively free supply of bricks at controlled prices.

The acquisition of land in these cities is the first major bottleneck in the execution of building projects. The present procedure of budgetary sanctions requires that land for each project should be selected, acquired and developed separately. This procedure which has to be gone through for every project is time-consuming. Bulk acquisition and development of land has been recommended by many committees earlier and the Chetty Committee has also recommended that this procedure should be adopted in all cities.

But before the process of land acquisition is started, master plans for all important urban centres need to be completed so that a ready assessment of land suitable for various purposes is available. According to the annual report of the Department of Works, Housing and Urban Development for 1969-70, the Government of India gave assistance in the form of cent per cent grants to state governments for preparing master plans for selected cities during the third five-year Plan period. It is reported that most of these projects are at advanced stages of completion. It is only after the master plans of these cities have been completed that the other steps, namely acquiring land and developing it, can be taken.

The cost of development of big cities is indeed enormous. According to the Master Plan for Delhi (prepared in 1964) the capital outlay for acquisition of land and development, housing, community facilities, slum clearance and development, public utilities, transportation, recreation etc., was estimated to be more than Rs 700 crores and the plan is expected to be completed by 1981. Development Plan for Greater Bombay completed in 1964 was also expected to cost about Rs 700 crores. Outlays needed for the completion of the master plans of other cities are in no way small.



Hope is eternal

According to a UN study completed in 1968, the housing costs in relation to incomes in developing countries are higher than is the case in developed countries. This is true in the case of each one of the cities studied by the committee. The households having an income of Rs 500 per month or more was less than 10 per cent in each of the cities under consideration (see Table II) In Madras and Kanpur, the percentage of households with monthly income of Rs 500 per month or more was less than five per cent. In view of the fact that the most modest house with covered area of 100 square yards in these cities would cost anywhere between Rs 25,000 to Rs 50,000 the plight of the households can be well imagined. Without assistance from the government, it would not be possible for both the middle and the low-income groups to build houses. In fact, a major part of the housing activity in these cities is due to the loans given by the development authorities or the Life Insurance Corporation. With rising prices and taxation, the savings of the urban households are too inadequate to permit construction of houses.

Again, acquisition and development of land is not enough. There is urgent need for economy in the use of land for housing. Vertical development has been found, both in this country and abroad, as the best way of getting the maximum housing accommodation from available space. The committee has, however, suggested that the feasibility and overall economy of vertical development should be considered in each case after taking into account the cost of expensive foundations, provision of lifts, augmentation of existing lines of water supply and sewage services. The multi-storeyed buildings are no doubt very popular in many developed countries but an overall study on the basis of the various factors involved needs to be conducted by the central Ministry of Housing in this country before taking a final decision in this regard.

In some areas of the cities whose housing problems were studied by the committee, it was observed that often houses remained unoccupied for a considerable time for want of service connections such as water supply, sewage and electricity. It is essential that before embarking upon a large-scale housing construction programme the availability as well as the adequacy of these services should be ensured.

TABLE II

DISTRIBUTION OF HOUSEHOLDS BY THEIR INCOME PER MONTH

Income group (Rs)	Percentage of households				
	Bombay	Calcutta	Delhi	Madras	Kanpur
0—100	19.1	63.0	43.6	55.6	60.8
101-250	49.5	19.7	38.5	28.5	21.1
251-500	20.2	7.2	12.5	12.2	7.5
501-1000	6.3	4.8	3.8	2.7	2.7
1000 and above	3.3	2.0	1.6	1.0	1.1
Income not stated	1.6	3.3	..	..	6.8
All groups	100.0	100.0	100.0	100.0	100.0

Sources:—

Bombay—*Economic Survey of Bombay City* by Mr D.T. Lakadwala.

Calcutta—*The City of Calcutta—A Socio-Economic Survey* by S.N. Sen.

Delhi—*Greater Delhi—A study in urbanisation*—Dr V.K.R.V. Rao and Mr P.B. Desai.

Madras—*Socio-Economic Survey of Madras City.*

Kanpur—*Social Contours of an Industrial City* by Mr D.N. Majumdar.

The recommendations of the committee in regard to the building materials are such as would reduce the cost of construction. The committee has suggested ceiling height up to 2.7 metres for residential buildings. It has also recommended the use of cheaper materials such as lime and fly ash, which could be used along with cement for the preparation of mortar. But what is necessary is that research work should be undertaken before these cheap materials are put to use.

The suggestion of the committee regarding the adoption of pre-fabrication for speedy building of houses needs careful consideration. In the USA and the USSR, the construction of houses has been hastened through pre-fabrication, which demands organisation in designing as well as the use of of materials. In places where good quality bricks are available, advantage can be taken of load-bearing masonary construction. Mechanised bricks currently being manufactured by the National Buildings Organisation are so strong that they can save in cost of RCC slabs. Recently, Messrs Excelsior Plants Corporation Ltd of New Delhi entered into a collaboration with a Rumanian undertaking for the manufacture of plants for making mechanised brick and tiles. The high quality bricks manufactured by these mechanised plants will no doubt bring down the cost of construction of houses.

The committee has also suggested that housing factories should be established at Madras, Calcutta and Ahmedabad where building components should be produced. These factories could also be developed to undertake pre-fabricated construction. In all big cities such as Bombay where the demand for housing is phenomenal, the conventional methods of construction will be slow, costly and time-consuming. It is only through the establishment of a pre-fabrication housing factory that the challenge can be met. The Hindustan Housing Factory at Delhi, which is already producing prefabricated houses, needs to be expanded, according to the committee.

The other suggestions of the committee relate to augmentation of building material resources and improvement in the organisation of building industries. It has also suggested the estab-

lishment of training schools for the building trade. Specialised courses in building science need to be started and construction agencies urged to insist on the employment of trained personnel. It is this multi-pronged attack which may ease the problem of housing shortage in the big cities.

Import Without Impediments

THE STATE Trading Corporation of India has done well in initiating a series of discussions with the representatives of trade and industry in the country on measures to implement effectively the new import policy. Senior officers of the STC have been going round important commercial centres and holding meetings with trade and industrial organisations. This kind of public relations will prove useful to the government and to the businessmen. But much will depend on the extent to which the STC is willing to seek the trade's active co-operation.

The import policy for 1970-71 has given a vital role to the public sector although it has not displayed much experience or efficiency in handling our import trade in the past. About 60 items valued at nearly Rs 100 crores have been canalised for imports through the STC. The Government of India has announced its intention to canalise also cotton and cashewnuts whose annual imports have been valued at about Rs 90 crores and Rs 30 crores respectively. By the end of this year, the government expects over 80 per cent of the country's imports to be made through state agencies.

It is all the more important therefore that there should be the utmost co-operation between the STC and the trade so that the country will be assured of regular supply of imported materials and the foreign exchange resources are utilised most economically. To realise these objectives it is not enough if the STC holds periodical discussions with trade organisations. The more important question is to what extent the STC will be prepared to take the trade into confidence and implement the latter's constructive proposals.

Take, for example, the Industrial Raw Materials Assistance Centre (IRMAC). This is to be managed by the State Trading Corporation. Actual users, including large and small units, can get assistance from the IRMAC in procuring raw materials against licences issued to them under the import policy for actual users or under the policy for registered exporters. Actual users can get from the IRMAC raw materials off-the-shelf against their licences. These will not be valid for direct imports to the extent to which the goods are supplied by the IRMAC and debited against their licence.

The IRMAC has decided to make a beginning with the import of tool and alloy steel. It proposes to select about a dozen items in the initial stage. In arranging these imports, the IRMAC will do well to take the advice of the trade in locating the suppliers and buying the products at economic prices. The IRMAC will have licences in respect of rupee payment countries, USAID and free currency areas. It is important to use these licences judiciously to get our imports at the best possible prices.

In his presidential address at the 79th annual meeting of the Calcutta Import and Export Trade Association recently, Mr V.S. Bhatia made some constructive suggestions for the successful implementation of the new import policy. He cautioned against the STC's tendency to by pass the accredited agents of overseas suppliers who have operated in our country for several years and stressed the need to use their influence to the country's advantage especially during a time of global shortages of commodities required by the STC. Another suggestion was that in respect of the commodities whose imports have been banned (the new policy has banned 159 items), the import authorities and the STC should try to build up minimal stocks in the country through the IRMAC. Mr Bhatia said that "a co-ordinated service, if administered in a businesslike manner should be welcome both to users whose essential requirements will be protected through ready availability, and the indigenous manufacturers who will have confidence that excessive imports by possibly subjectively active actual users will not damage their interest. In view of the large area to be covered in terms of items and industrial applications it might be necessary for IRMAC to operate through associates in different industrial centres".

The Ministry of Foreign Trade should examine earnestly to what extent it can accept Mr Bhatia's suggestions. The government has decided to take over the bulk of the import trade mainly for ideological reasons. The government should see to it that at least in implementing the import policy it works in co-operation with the trade channels as far as possible. Buying and selling especially of raw materials like cotton, chemicals and steel are very complicated operations. Many raw materials are often in short supply in the world markets and constant vigilance is necessary to ensure that we are able to arrange timely and adequate imports. The fourth Plan envisages total imports of Rs 9,730 crores of which Rs 7,840 crores will be for maintenance. The latter category will include such items as fertilisers and fertiliser materials, chemicals, non-ferrous metals, special varieties of steel, components and spare parts of machinery. These are required not only for domestic production but also for exports. The need for arranging imports on the most efficient lines therefore becomes obvious. The government should freely avail itself of the experience of the trade.

Mr Bhatia's suggestion to allot bulk foreign exchange through industrial associations for covering their membership as a whole has some merit. It will reduce the administrative work of the government to some extent. But one difficulty is that except in the port towns of Calcutta, Bombay and Madras industries in other parts of the country are not organised properly. Even in the port towns, not all the import trades have their own associations. Moreover, some of them are not free from personal rivalries and group politics. It is doubtful therefore if they can manage competently and impartially the scheme of allotting foreign exchange among their members. But this is certainly no argument for the STC not to make the best use of the services of the industrial and trade associations.

Meanwhile, the Chief Controller of Imports and Exports in the capital and his offices in Bombay, Calcutta and Madras should show a greater awareness of the problems faced by trade and industry. These offices should dispose of applications for licences with the utmost speed if the new import policy is to succeed. At present even industries which have been given priority status by the government experience considerable delay and difficulty in getting their actual users' licences. The applicants in Calcutta and other centres have constantly to remind New Delhi by telex, telegram or telephone or even fly to the capital to expedite the issue of licences. The Chief Controller may explain that unless the union Ministry of Finance promptly releases foreign exchange, his office cannot issue the licences. But industry and trade are not interested in explanations. They want uninterrupted supplies of imported materials so that production and employment can be maintained undisturbed. Canalisation has little prospect of success unless the administrative machinery at all levels functions efficiently and in close co-operation with the representative organisations of trade and industry.

Scramble for Funds

THE MONETARY authorities do not seem to be thinking clearly when formulating the credit policy and finalising the borrowing programmes of the central and and state governments. Even though it has been forcefully brought out by the developments in the past few months that the banking system is being called upon to shoulder responsibilities which cannot be discharged by it with the available resources, there has been heavy expansion of credit on the one side and an increase in investments in government securities on the other side. The net effect of these transactions, which have been mainly on account of the operations of the Food Corporation of India, the grant of loans to borrowers in the priority sectors and an increase in the liquidity ratio, has been reflected in an over-extended position of the scheduled commercial banks. In spite of the fact that two months of the slack season were over, borrowings of scheduled commercial banks from the central banking institution were at the fairly high level of Rs 289.06 crores on June 26 and the credit deposit ratio was as high as 81 per cent.

It is under these circumstances, that 15 state governments are proposing to raise Rs 142.50 crores resulting in a net borrowing of Rs 85.50 crores. There are 12 maturing loans for Rs 57 crores. In 1969, though the notified amount for 15 loans was much higher at Rs 155 crores, net borrowing was only Rs 65.61 crores as there were 14 maturing loans for Rs 89.39 crores. Even if allowance is made for the additional amounts accepted due to over-subscription of all loans, net brorrowing was not much more than Rs 81 crores. On the present occasion, if there is over-subscription, net borrowing can even be Rs 100 crores. What is more interesting is the fact that the state governments will be raising their requirements on a cheaper basis as all the loans will be issued at par against two loans at par and 13 loans at a discount of ¼ per cent in 1969. The interest rate is, of course, unchanged at 5.75 per cent and the duration at 12 years. But the attempted cheaper borrowing is being made when there has been an upward trend in the lending rates of banks and the inter-bank call rate is quoting at 6½ per cent in Bombay.

For the third year in succession, the states have been borrowing on more favourable terms. It may be said that there is justification for the fixing of higher issue prices as the market quotations for the existing loans, on a comparable basis, are quoting even above par. But what is really noteworthy is the fact that for the first time in living memory, there will be no invidious differences between the terms of the various loans and states too are not bothered about the mobilisation of subscriptions for making a success of their borrowing programmes. Before 1969, there was a mad drive in the rural areas for collecting forced subscriptions and the community lost every year quite a sizable amount as distress sales were made in the open market at a heavy discount after the allotments were received. The knowledge that the new loans could be secured at a discount prevented also the institutional investors from directly subscribing to the loans. Indeed, even the maturing loans were redeemed in many cases and the cash obtained was invested only later on a more advantageous basis by effecting fresh purchases cheaply. These happenings are a thing of the past and the states now depend for support to their loans on the nationalised banks and other credit institutions.

The Maharashtra government is, as usual, asking for the largest gross amount with Tamil Nadu following suit. Thus, Maharashtra will be raising Rs 19.25 crores against Rs 22 crores and Tamil Nadu Rs 16.50 crores against Rs 20 crores. The net amount borrowed will be higher at Rs 5.52 crores against Rs 4.54 crores in the case of Maharashtra and at Rs 10.94 crores against Rs 7.79 crores in respect of Tamil Nadu. Gujarat is having an unchanged notified amount of Rs 16 crores. But net borrowing is much higher at Rs 16 crores, as there is no maturing loan. The net amount borrowed in 1969 was only Rs 10.20 crores. Uttar Pradesh has a notified amount of Rs 13.75 crores against Rs 13 crores, Andhra Pradesh Rs 12 crores against Rs 14.50 crores, West Bengal Rs 11 crores (same), Mysore Rs 10.50 crores against Rs 10 crores, Madhya Pradesh Rs 7 crores against Rs 8 crores, Kerala Rs 6 crores (same), Orissa Rs 6 crores against Rs 6.50 crores, Rajasthan Rs 6 crores against Rs 7 crores, Punjab Rs 5.25 crores against Rs 6 crores, Bihar Rs 5 crores against Rs 5·50 crores, Haryana Rs 4.50 crores against Rs 5 crores and Assam Rs 3·75 crores against Rs 4.50 crores.

The states are obviously anxious to raise as large amounts as possible through open market loans as their finances are in a bad shape. Even with liberal assistance from the central government, the overdrafts of the states were sizable at Rs 120.70 crores on June 26. It is not, therefore, surprising that 11 state governments will be raising increased net amounts. Besides, immediately Maharashtra and Bihar governments will have the advantage of retaining with themselves for some time the amounts that will have to be paid against the 4 per cent Bombay Development Loan for Rs 7.43 crores which is due to be paid on September 3, 1970, and Bihar Development Loan for Rs 2.77 crores falling due for redemption on October 13, 1970.

The state loans have been issued earlier than usual this year because 10 loans matured on July 15, The central government will, therefore, have to complete the second stage of its borrowing programme perhaps early in September and the statutory financial corporations, electricity boards and other public bodies in October. The Reserve Bank is determined to make a success of the borrowing programme of the governments and public bodies, which might result in a diversion of resources from the organised money market to the extent of Rs 260-275 crores.

The states will naturally be anxious to take advantage of the right for accepting subscriptions up to 10 per cent in excess of the notified amounts in the event of over-subscription. This would mean that about Rs 100 crores will be siphoned away from the money market in the middle of July. As fresh additions to deposits of the scheduled banks are taking place at a slower rate, it will be difficult to effect any reduction in borrowings of member banks from the central banking institution before the end of July. Also, fresh accretions to the resources of the banks will have to be earmarked for the central loan and bonds of public bodies. It is, therefore, unlikely that there will be any significant reduction in borrowings of the scheduled banks unless there is an unexpected growth in deposits or the the central government makes some adjustments in respect of its liability to the Food Corporation of India for purchases towards buffer stocks of foodgrains. It is in a position to make large payments as its ways and means budget is now satisfactory and it will also be receiving a sizable amount from the Reserve bank as the share of profits for 1969-70. If with the unrelieved pressure on the banking system there is also an attempt to extend credit for meeting the requirements of borrowers in the priority sector, it is wondered how the monetary authorities can tackle the difficult situation that may arise in the 1970-71 season.

Unfair Labour Practices

A CORRESPONDENT

A PROPOSAL for legislation to codify unfair labour practices and for laying down penalties for them is one of the subjects coming up before the Standing Labour Committee which is scheduled to meet on July 23 and 24. The state governments of Maharashtra and Andhra Pradesh have already introduced bills on unfair labour practices, along the lines recommended by the Maharashtra Committee on Unfair Labour Practices. The National Labour Commission has, in its report, recommended that the law should enumerate various unfair labour practices on the part of employers and on the part of workers' unions and provide for suitable penalties for committing such practices. The commission has further stated that the unfair labour practices listed by the Maharashtra committee could form a suitable basis for the enumeration of unfair labour practices.

Redundant Committee

The Committee on Unfair Labour Practices was appointed by the Maharashtra government on February 14, 1968. The National Labour Commission was appointed by the Government of India much earlier, on December 24, 1966, to go into all aspects of industrial relations and it is therefore not clear why this matter was not left to the commission and why the Maharashtra government considered it necessary to appoint this committee. The NLC appears to have been impressed by the report of the committee being unanimous. It is stated in the report of this committee that three of the members did not attend a single meeting of the committee nor did they sign the report, which shows what importance they attached to this committee.

The existing code of discipline, which was accepted by the principal central organisations of employers and unions, sets out certain unfair labour practices which the parties agreed to avoid. The Maharashtra committee says that the code did not achieve the desired results because the principles enunciated were voluntary and that "American experience shows that there should be an obligation on employers and unions to bargain in good faith." The approach of the committee is too legalistic, and slanted by American systems. But in the USA the provisions regarding unfair labour practices by employees and unions were incorporated into law on account of certain historical conditions there. Besides there is no such system there, as we have, of extensive state intervention in industrial relations and of adjudication of disputes.

Ample Legislation

In India there is ample legislation which safeguards job security and enables tribunals and labour courts to give appropriate relief when complaints or disputes regarding unfair dismissals, victimisation for union activities or other unfair labour practices are brought up before them. The National Labour Commission and its various study groups have emphasised the need for developing collective bargaining and lessening the dependence on government in industrial relations. Yet the NLC has supported the recommendations of the Maharashtra committee for laying down by law unfair labour practices and providing penalties for them.

The NLC has given no reasons for this recommendation except the following. "Provision of legal protection to unions is a corollary of healthy industrial relations and recognition of unions as sole representative of workers. It is, therefore, important to write into the law provisions to prohibit and penalise unfair labour practices on the part of both the employers and the recognised union." The proposition in the second sentence does not follow from the first. The NLC has rightly recognised the necessity of having a recognised union as the sole bargaining agent for the workers, but on the other point, viz, codification and laying down penalties for unfair labour practices, its recommendation is inconsistent with the spirit of other portions of the report.

In paragraph 23.36 it has clearly stated "There is a case for a shift in emphasis and increasingly greater scope for and reliance on collective bargaining. A beginning has to be made towards collective bargaining by declaring that it will acquire primacy in procedure for settling industrial disputes." The NLC has not given primacy to collective bargaining by proposing to add more legislation to the existing plethora of labour legislation. It has even recommended a statutory grievance procedure with provision for decision by a third party in the event of there being no unanimity in the joint committee of management and workers. At one place the NLC has stated, "As regards the future of the code (of discipline), the evidence is overwhelmingly in favour of giving a legal form to its important provisions regarding recognition of unions, grievance procedure, unfair labour practices and the like."

Now it is correct that there was support given by employers and unions before the NLC for statutory recognition of the majority union only as the representative union, but the NLC appears to have been under a misconception in regard to the alleged support to the proposal to legislate on unfair labour practices and lay down a statutory grievance procedure. This writer does not find in the replies to the questionnaire of the NLC by the INTUC and other central union organisations or by the principal employers' organisations support for any such proposals.

Minimising Intervention

The various organisations referred approvingly to the proposal for statutory recognition under the code of discipline of the recognised union as the sole bargaining authority and it is on this aspect of the code of discipline that there was support, not for legislation on unfair practices or for prescribing a grievance procedure by statute. In fact in the replies to the questionnaire of the NLC by the principal employers' associations and federations of unions there was a concensus for minimising the intervention of the government in industrial relations. The union Labour Ministry also, in its memorandum to the NLC, had stated that the whole edifice of the code of discipline is based on voluntary approach and moral persuasion rather than legal sanction and that if the provisions of the code were framed into a law the very basis on which it was framed would collapse.

The Maharashtra committee has in its report admitted that unfair labour practices are difficult to define, and what may be unfair labour practice in one set of circumstances may not be so in another set of circumstances. These are by themselves good grounds for not attempting to legislate on unfair labour practices in the manner proposed by the committee.

To come now to the lists of unfair labour practices prepared by the Maharashtra committee, recommended by the NLC, and incorporated in the Maharashtra and Andhra Pradesh bills on unfair labour practices. A number of practices listed have no connection with collective bargaining with unions and relate to matters on which individual employees have already a remedy under the existing Industrial Disputes Act or the state acts relating to industrial relations. The list of unfair labour practices proposed include, for example, dismissing an employee by way of victimisation or not in good faith, implicating an employee by false evidence, or for patently false reasons or on trumped up allegations, or in utter disregard of the principles of natural justice, shockingly disproportionate punishment for minor or technical misconduct, transferring an employee *mala fide*, etc. etc. On these matters the existing industrial law and a series of decisions of the Supreme Court provide ample remedies against such acts and it is difficult to see necessity for the duplicating legislation to give relief against such acts.

Merit of the Proposal

Another unfair practice listed is "to encroach upon contractual statutory or legal rights of the other party by either party." The merit of this proposed item it that it is sufficiently vague, and it is sure to lead to unnecessary litigation. Another item listed is "to avoid payment of statutory dues.", as if existing statutes do not make adequate provision for enforcing statutory dues. Among the other unfair practices listed is one blindly copied from American legislation, viz., to refuse to bargain in good faith with the other party. As if good faith can be created by legislation and as if the management and unions do not know and the law must tell them under pain of penalties that their function is to bargain with the other party in matters of industrial relations. Eminent American writers have recognised that this provision in American law has served little purpose and has been productive of unnecessary litigation.

To give an example, if a union raises a frivolous or fantastic demand, a demand which it knows cannot be met, or is already covered by an award, is the employer to be hauled up for unfair labour practice if he refuses the demand unless he makes a show of bargaining or going through the formality of arguing with the union that the demand cannot be met? And is it to be supposed that unions are interested in making a demand but not interested is talking about them with the employer and in bargaining with the management? Another unfair practice listed is "to show favouritism or partiality to one set of workers, regardless of merit." This is a subjective matter, difficult to determine one way or other in a legal proceeding and is sure to lead to unnecessary litigation.

Again while every conceivable unfair labour practice by employers is listed, some well-known unfair labour practices by unions are not included. The unfair labour practice of work to rule which is an insidious form of go-slow is not included. Even some of the unfair practices included in the existing code of discipline which unions undertook to avoid, viz. permitting rowdy demonstrations, members of the union engaging in union activity in office hours, sit-down and stay-in strikes, do not figure in the list. Further it may be noted that unions can easily avoid penalties for unfair labour practices like instigating an illegal strike, by disclaiming responsibility and saying that the acts were not authorised by the union, but were of individual employees.

On a few of the unfair labour practices listed, such as an employer dominating or interfering with the organising of unions or establishing employer sponsored unions, there are no provisions of law, but such matters are difficult to establish in legal proceedings and are suitable for a voluntary code of discipline. It is not that under the existing code of discipline, by which such acts are agreed to be avoided, there is no sanction. Implementation committees at the centre and in the states are there and have taken appropriate action on complaints of breach of the provisions of the code of discipline. The best remedy against unfair labour practices is the growth of strong representative unions and a proper grievance procedure, and not legislation.

From the foregoing it is clear that the legislation on unfair labour practices proposed is not likely to promote harmonious industrial relations and may generate unnecessary litigation.

Coal : Sick Step-Child of Indian Industry

D. P. RAY CHAUDHURI

FROM THE status of the 'sick child', coal has emerged as the 'sick step-child' of Indian industry, according to its spokesmen in eastern India. The major impediments to its healthy growth have continued to be the defective pricing policies enforced by the major government consumers, high production costs, critical transport bottlenecks and inadequate emphasis on the development of newer customers. Spokesmen of the black diamond industry have emphasised upon the new roles and responsibilities the industry must assign to itself to protect and build its own future. They include greater attention to developing new markets, pruning of production costs, stepping up of productive efficiency and modernisation of operational practices, as also a bolder initiative in labour-management relations through increased attention to the social responsibilities of business.

Over the years, however, much less enforcing the reforms to repair the maladies crippling the industry, the government has not even made a start in defining the scope and the nature of the imperative reforms for placing the industry on its feet.

The sixties have been considered to represent a period of major contrasts for the industry. While the main concern at the start of the decade was a 'shortage of coal supplies', the burning problems of the late sixties was the 'shortage in the demand for coal. For the first time in 23 years, coal decontrol became a reality during the decade. Yet contrary to the benefits possible from the emergence of a free market economy, the competitive forces could not manifest themselves due to the pressure tactics in the matter of price-regulation by the major governmental consumers.

Thanks to the allocation of the foreign exchange loan of Rs 14.17 crores from the World Bank, constituting about 40 per cent of the total cost of opening new mines, capital equipment for the expansion of the then existing mining capacities, as also for spares, the industry managed to plough back and make a fresh investment of about Rs 15 83 crores for the large-scale expansion of the industry between 1960 and 1963. Besides, the enforcement of week-long production in many collieries since the Chinese aggression of 1962 also helped in stepping up the output of coal. But, since the middle of 1963, there was a reversal of the rising trends, following the issue of 'go slow' notices in respect of all expansion schemes. It was followed by a continuing series of exercises in scaling down the production targets from 104 million tonnes for 1960-61 to 98.3 million tonnes a year

for the third Plan period, later on to some 90 million tonnes and finally to 76 million tonnes at the time of the mid-term appraisal. The tragedy of the entire situation was that even three years after the conclusion of the third Plan the estimated 1969 output of 78.37 million tonnes was much in excess of the actual demand.

Thus the planners' follies during the early sixties deprived the industry of the desired returns on its heavy investments on expansion, while the industry has been paying heavy toll because of the shrinkage of the market for coal. Unless adequate and timely steps are taken to reverse the trend, the seventies may well witness the grim reality of vanishing coal markets. Naturally, the debate must now concentrate on whether or not the country can allow such a serious exigency to happen. In this context, it is pertinent to analyse the existing demand prospects in some depth both with respect of coking and non-coking coals.

Largest Consumer

Currently, absorbing about 33 per cent of the total supplies, the railways are the largest single consumers of non-coking coals. During the sixties, the consumption of coal by the railways declined from 18.8 million tonnes in 1963-64 to 16.42 million tonnes in 1968-69 notwithstanding an increase in passesngers carried from 1,509 million to 2,213 million and in goods traffic from 146.6 million tonnes to 240 million tonnes. The serious loss suffered by the coal industry has been ascribed to the reckless dieselisation programme of the railways.

Although the coal industry does not seek to stand in the way of implementation of the modernisation programme of the railways, the spokesmen of the industry have raised the poser as to why the administration should give a priority to dieselisation over electrification without considering the impact of recurring costs for the former on the overall national economy. Despite the 1450 per cent increase in the output of crude oil in the country to 5.8 million tonnes between 1950-51 and 1967-68, the demand-pattern already created thereof required an import of some 12 million tonnes of crude in 1969, entailing a foreign exchange spending of about Rs 109 crores a year. Besides, crude oil imports are governed by the supplies thereof in the international markets and the ever-changing political situation, as also foreign exchange of the appropriate currency to foot the heavy bill.

In this context, knowledgeable people have expressed surprise as to how the largest public sector undertaking in the country is fast moving ahead with its plans for dieselisation, thus increasing the burden on the country's foreign exchange and dependence on extraneous supplies for running such a key service as railways. It has plans for dieselising some 3,000 route-kilometres over and above the 19,200 route-kilometres already covered by such traction. They also question as to why the railways are being currently served by some 994 diesel locomotives when only 514 electric locomotive could do in their place. The Government of India must find urgent and satisfactory answers to these questions which are intimately related to the very existence of the non-coking coal industry.

Grim Picture

With limited reserves of coking coals in the country, the industry presents a grim picture, of course with its own variants. A recent assessment by a committee of the Coal Advisory Council reveals that out of the gross reserves of 13,468 million tonnes in the Jharia, Raneegunj and eastern Bokaro coal-fields, the extractable net reserves of various grades up to a depth of 2,000 ft are only 4,015 million tonnes. Besides, the reserves of the Jharia coal-fields, the only source of prime coking coal, ultimately governing the total availability of metallurgical coal which can be directly charged into the coke ovens, is only 1,360 million tonnes out of which 49 per cent are proved reserves and the balance inferred or indicated reserves. Under these circumstances, close correlation should be maintained between the development of the steel industry and the extension of the coking coal productive potential in drawing up future plans and arranging their implementation.

Due to the unrealistic targets of hot metal production, the steel plants used only 74.7 million tonnes of the total output of 118.3 million tonnes of coking coal during the past decade and that too, despite a decline in the output of coking coal from 17.04 million tonnes in 1961 to 16.11 million tonnes in 1967-68. Thus 43.6 million tonnes of coking coal which would have fed the steel plants for four more years, was wasted for non-metallurgical purposes, such as brick-burning, railway locomotive fuelling, boiler firing and so on.

Another deterrent during the sixties related to the existing pricing policies which, in a way, have compelled the producers to resort to only horizontal rather than vertical operation of their mines. Commenting on this situation the Chari Committee observed that mining at depths increased the costs of production in addition to which the sales realisation also came down owing to a deterioration in the quality, making the operations highly uneconomic.

Understandable Disinclination

There was understandable disinclination on the part of the investor to expand vertically, and the lack of such vertical expansion and development would have a disastrous effect on the continued availability of coking coal. The committee further noted that purely from the consumer's angle, the superior grades of coal, which were of greater utility to him, would seem to merit a higher price. But from the producers's angle, it was the comparatively poor grade of coal lying at depths, and on which the future of the steel industry depended, that called for a higher price. No entrepreneur would think of investing on the development of the lower seams of inferior grade coal which would net him considerably lower returns. An unremunerative price-structure for this comparatively poor

Eastern Economist 25 Years Ago

JULY 20, 1945

The reorganization of executive and legislative branches of the United States Government is a subject which has been under investigation with increasing emphasis during war years. Pressures of war evoked the need for swift, efficient decisions and actions and accordingly focussed official and public attention mainly on fact; Government's physical make up was not attuned to modern conditions. Many authorities feel that when peace returns the need to reshape governmental machinery will be even more pressing due to the necessity of economy and efficiency. It is recalled that after World War I American people demanded economy in Government to pay off debts incurred during the war. Public debt after this war will be enormously greater than after the last war—it already stands at 233 billion dollars. Thus observers are for casting a series of moves, or a continuation of moves already begun, towards reorganization when President Truman and Mr Byrnes return to Washington from the Potsdam conference. The President already has requested for Congress legislation granting them broad power—virtual carte blanche — to put the executive branch in order. And the Congress has committees surveying the question of reorganizing its own committee machinery and procedure.

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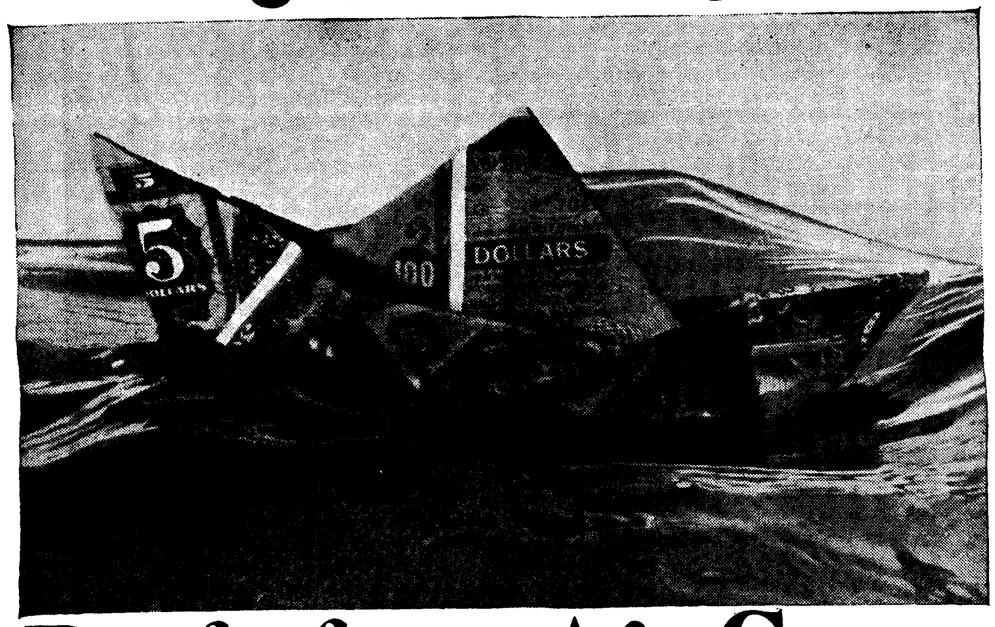

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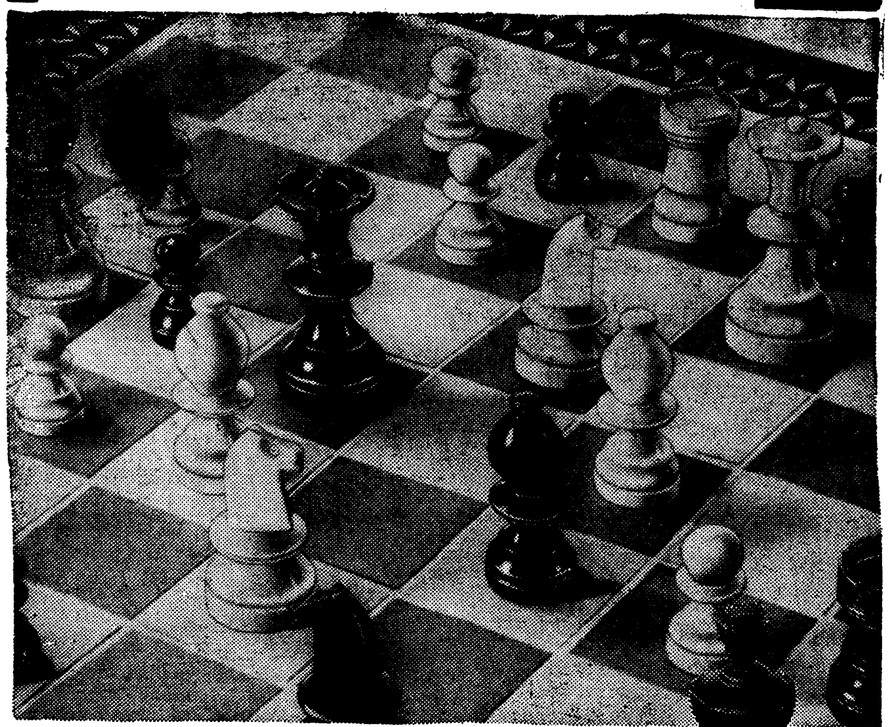

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coal would virtually lead to the starvation of the steel plants in future.

Despite this clear warning, the Government of India has not yet realised the gravity of the situation and announced any corrective measures. Everyone connected with the coal industry and trade knows that even for a moderate depth, the time-lag between planning and production would be anything between five and six years. Every day of delay means complicating the situation further so that a time may soon come when the shortage of coking coal supplies will pose a major threat for the well-being of the expanding steel industry.

It is thus clear that, besides announcing remunerative price for deep mining to make such ventures worthwhile, the government should forthwith take adequate steps to ensure the expansion of vertical operations. It has been suggested that the government should commence disbursing funds from the Consolidated Fund of India for this purpose. It may be mentioned that government is collecting Rs 0.75 a tonne of coking coal despatches from the industry since October, 1968, to build a Development Reserve. If necessary, the government should not hestiate to provide additional funds for the industry as loans or subsidies.

It need hardly be mentioned that the gestation period in the mining industry is longer than in any other industry. The production momentum has to be built up with constant attention and at heavy investments. Hence the psychological climate should be conducive to warrantt such investments. The fear-complex of nationalisation acts as a positive disincentive to planning ahead by the investors and the entrepreneurs alike. The government should make a straightforward decision on nationalisation, and help the private sector in the industry to decide on its next course of action and chalk out plans for its speedy implementation.

The Konkan's Economy and Coastal Railway

SHRIKRISHNA VANJARI

MR GULZARILAL Nanda, the Minister for Railways, who also happens to possess first-hand knowledge of socio-economic conditions in Maharashtra state, including the Konkan region, since he was a minister in the former Government of Bombay, has recently ordered a preliminary technical survey for a coastal Konkan railway.

Earlier, in recent years, the Planning Commission had organised a detailed survey of and investigations in the transport and communications needs and requirements of Maharashtra state in the immediate future. The team that carried out the operation was headed by Mr P. S. Nadkarni, an IAS officer with considerable experience in economic affairs and administration. The report submitted by Mr Nadkarni probably covers the aspect of actual need for construction of the Konkan railway and its financial viability that is related to the probable passenger traffic load and goods freightage and actual and potential economic development of the extensive coastal region.

The people of the Konkan have recently been also agitating for special consideration being given by the state government to their problems of socio-economic development that, they complain, has been neglected. The government, for its part, has announced its intention to formulate a special programme for hastening the pace of economic development in this backward region.

It would, therefore, be interesting birefly to survey the position of the Konkan economy and the comparative position of the three districts forming the Konkan region.

The Konkan railway plans had been considered by the former British rulers over 100 years ago but, somehow, they had not been pursued. The British had got panicky when a stray German submarine appeared suddenly in the waters of Ratnagiri port in the district of that name along the Konkan coast during the days of World War I. The vulnerability to enemy attack and the need for provision of a defence strategy including railway communications in Ratnagiri district's coastline that extends to 200 miles are thus valid factors that cannot be ignored.

When the whole country is served by a railway network, there is no justification for neglecting this extensive west coast. The annual inward passengers at Bombay port number 3.69 lakhs and out of them 3.02 lakhs are Konkan passengers. Among the corresponding total of 3.54 lakhs of outward passengers Konkan accounts for 3.10 lakhs. Since sea travel is completely suspended during the monsoon, the Konkan railway could cater to this large number of passengers. Road transport is no substitute for railway transport. Such a large volume of passenger traffic to and from the Konkan region should guarantee financial viability for the proposed railway. The annual rate of migration every year from the single district of Ratnagiri into Greater Bombay is over 30,000 persons. The economic development of the area that will take place is also to be kept in view while considering the proposal for expansion of the coastal railway in the Konkan.

One could have a clear idea of the Konkan region with the area, population, decade increase and density of each of the three districts as well as land utilisation and area and outturn of agricultural and other crops from Tables I, II a[illegible]

69335

Biggest District

As will be seen from the figures in Tab[illegible] Ratnagiri in south Konkan is the biggest in both area and population. Thana, which is contiguous to Greater Bombay city in which some of the territory of the district had from time to time been merged to form Greater Bombay city, is naturally more urbanised and has the largest number of towns. Thana city is practically a suburb of Bombay city and also forms part of the Bombay-Poona industrial area. The density of Ratnagiri is the lowest. But the rate of decade growth of Ratnagiri is unique in the whole state. The fact that only in 1931 when economic depression had brought about clossure of Bombay's textile mills, the decade growth had increased to 12.68

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How is the split in the party—in the personality, I mean ?

is eloquent of massive migration from the district.

The number of females per 1,000 males in Ratnagiri was 1,262 in rural areas which is unique in the entire state. Even in urban areas, it was 987 as against the state's 801. The rate of migration every year exceeds 30,000. In 1961-62, 32,611 persons, *i.e.*, 17,480 males and 15,131 females had migrated. As children born to migrants outside Ratnagiri district are not enumerated, the total population is much higher, as many migrants are practically domiciled in Bombay city.

As will be seen from the figures in Table II, one-third ofthe geographical area of Thana is covered by forests and 30.29 per cent of the district's population consists of *adivasis*, including 2.16 lakh *varlis*, living in conditions of want and starvation for several months in the year. Thana also possesses a large area of grassland. At the same time the district possesses some of the best rice-land and groves of garden crops along the sea coast. According to figures of 1966, industrially Thana ranks third in the state with its 727 working factories, but possesses 66,000 more workers, than those of Poona. It has a railway length of 249 kms.

Kolaba, too, shares with Thana some of the advantages of proximity to Bombay city, and the railway line traversing the district on one of the main routes terminating in Bombay admeasures 88 kms. It possesses 82 factories with 4,681 workers, as against Ratnagiri's 43 factories and 2,035 workers. It, too, possesses some good rice-land and, despite its being the smallest district in Konkan, possesses the highest outturn of rice. Its outturn of pulses is equal to Thana's even when its area is smaller.

The crop pattern is superior in the Konkan, because the dominant crop is rice which is a high-value cereal crop as against jowar and bajra in upghat districts and other areas of the state. Ratnagiri's outturn of rice per acre was valued in 1955-56 at Rs 124 as against Rs 76 per acre of the state. The Konkan districts, particularly Ratnagiri, possess in the south rich laterite soil that grows high-quality mango such as the Alphonso, and coconut, betelnut and *caju* (cashew). *Caju* grows luxuriously in the rocky soil as well as in groves.

Over 85 per cent of the land surface in Ratnagiri is hilly. Land utilization is also poor, *i.e.*, 27.73 per cent as against 57.69 per cent of Maharashtra so far as net area sown is concerned. The percentage of gross cropped area is 28.51 as against Maharashtra's 60.55. The percentage of barren and unculturable waste is 28.03, as against Maharashtra's 6.08 per cent. The proportion of other

TABLE I

POPULATION AND PERCENTAGE INCREASE OF THE THREE DISTRICTS

District	Area (in sq. kms.)	No. of talukas	No. of towns	No. of villages	Total population	Decade percentage of increase	Density (No. of persons per sq. km.)
Thana	9,200	12	20	1,599	16,52,678	28.86	180
Kolaba	7,025	14	12	1,778	10,58,855	16.48	151
Ratnagiri	12,905	15	13	1,516	18,27,203	6.73	142

TABLE II

LAND UTILISATION (1964—65)

(In hectares)

District	Geographical areas	Forests	Barren and uncultivable land	Permanent pastures & other grazing	Under miscellaneous tree crops and groves	Culturable waste	Total fallows	Net area sown
Thana	9,33,700	3,66,700	73,800	45,700	13,200	28,300	99,600	3,04,800
Kolaba	6,86,900	1,64,600	123,300	7,000	36,100	61,600	71,900	2,20,100
Ratnagiri	12,78,700	24,300	345,000	4,600	19,700	1,92,200	3,04,300	3,59,600

fallow land is also very high *i.e.*, 16.77, as against Maharashtra's 4.46 per cent. The crop pattern consists of rice, 35.72 per cent, minor millets such as *ragi*, *kodra*, *vari*, 27.57 per cent, pulses, 4.31 per cent, sugarcane, 0.03 per cent, oilseeds including coconut and sesame and other food crops, 2.86 per cent. The total foodcrops make a percentage of 70.49 in the gross cropped area as against Maharashtra's 69.88.

In Ratnagiri, which is the biggest remittance district in the Konkan, 6.16 lakh or 65.03 per cent of the total male workers in the population are engaged in agriculture. The corresponding percentage of Maharashtra is much lower, *i.e.*, 40.69. Women predominate in cultivation with a percentage of 84.43, as against Maharashtra's 54.79. The average area of land cultivated per worker is 1.43 acres, as against Maharashtra's 3.50 acres. There is a higher percentage of persons working on the land, *i.e.*, 81.19 per cent. as against Maharashtra's 69.91 per cent.

Agricultural Labour

The number of agricultural labourers is the smallest, *i.e.*, 50,000, as against 1.18 lakhs of Thana. In Thana, 81,000 are engaged in manufacturing, as against Kolaba's 11,000 and Ratnagiri's 13,000. The workers in transport and communications number 29,000 in Thana as against Kolaba's 80,000 and Ratnagiri's 90,000. Other services absorb 68,000 persons in Thana, 36,000 in Kolaba and 56,000 in Ratnagiri.

The characteristics of diversity in natural and other conditions and economy of each of the three Konkan districts determine the urgent needs of each and the mode of developmental activities that could strengthen the general economy of each of the three districts. Any planning for development must of course be based on a careful examination of all factors of the economy. Some parts of Thana and Kolaba, for instance, are suitable for siting of industry overcrowded in Greater Bombay, and this process is already discrnible.

Predominant Sector

It is clear that agriculture predominates the economy of the entire Konkan region, although the soils of the Konkan, except in a few tracts of rice-land in Thana and Kolaba districts, where they are fertile, are inferior and poor. However, there is considerable scope for horticultural plantation in Ratnagiri district and the state government could well have pressed the Refinance Corporation to finance it on easy terms on a long-term basis.

The British had good reason for neglecting the Konkan region, because the region provided them army recruits who exceeded in number the recruits from the whole of the Bombay presidency comprising western Maharashtra, Bombay, Karnatak, Gujarat, Kathiawar, Sind and Aden. Bombay's industries, particularly the textile industry, need a large labour force. Bombay city police force is dominated by the Konkanis. The migrants also provide the postmen and members of miscellaneous professions and occupations. As high as 50.08 per cent, of Ratnagiri male migrants are absorbed in manufacturing industries. The other precentages are : service 15.54; transport etc. 11.36; trade and commerce 8.84; clerks etc 13.45, and sales workers 4.40.

Ignored Region

This extensive backward tract of the Konkan, admeasuring 29,130 square kms has not only been ignored by the Government of Maharashtra but taken as a part of western Maharashtra it is treated as advanced in development *vis-a-vis* Vidarbha and Marathwada, both of which are definitely more fertile. Thus the government has provided, certainly for reasons not connected with development of the state, *per capita* outlay in the five-year Plan allocation at Rs 88 each for Poona and Bombay divisions —the Konkan districts are included in Bombay division—and at Rs 95 for Nagpur division and Rs 98 for Aurangabad division. This pattern of allocation is to be continued in future five-year Plan periods also, so that 'the shortfalls relating to the first and second Plans (when these regions had formed parts of other states) will be wiped out by the end of the fifth Plan, if not by the end of the fourth Plan period itself'.

TABLE III

AREA AND OUTTURN OF PRINCIPAL CROPS (1965-66)

(A—Area in 100 hectares O—outturn in 100 tonnes).

District	Rice		Ragi		Total Cereals		Total Pulses		Total Foodgrains	
	A	O	A	O	A	O	A	O	A	O
Thana	1,498	595	263	192	1,912	1,840	131	34	2,043	1,874
Kolaba	1,379	1,617	185	98	1,675	1,762	117	34	1,792	1,795
Ratnagiri	1,366	1,283	541	220	2,328	1,698	90	23	2,418	1,721

WINDOW ON THE WORLD

Report In Depth On The EEC—IV

JOSSLEYN HENNESSY

I

UNIFORM EXCHANGE RATES

LONDON:

THE EEC Commission is not against variations in exchange rates as such. It would be prepared to envisage a uniform change of all EEC parities *vis-a-vis* the dollar, if circumstances were appropriate. In other words, it would be happy to see the Community act as if it were already a federal union. The likelihood that all member states would at any given time be in economic circumstances appropriate to uniform change is not great. At no time in the past 10 years have the major EEC member states been in similar states of external imbalance for more than a few months. There is always at least one country in surplus when the rest are in deficit, or *vice versa*.

In such circumstances, the logic of the Commission's position would lead it to say that the odd one out should move with the rest and adopt suitable budgetary policies, and use Community credit resources, to deal with the consequences. If France had to upvalue when devaluation would suit its situation better, it could be treated as a depressed area and given the needed injection of capital (in the form of foreign exchange) to deal with its problem, accompanied by a dose of "mutual surveyance."

Plain Purpose

The Commission's proposal does not run quite to this, at least not until 1980. For the interim period, exchange rate changes are merely to be subject to agreement of other members. But such is, nevertheless, the logic of exchange rate rigidity among members. The purpose is plain : if governments can be obliged to seek (or extend) mutual assistance, rather than solve their economic problems through exchange rate changes, they will first find themselves financially more interdependent. Moreover, the amounts of such finance will need to be increased, and the larger amounts will excite greater interest in the supervision of their use. Financial interdependence will, in other words, bind the members together.

It seems odd that France, which has had a more persistent tendency towards inflation than other EEC countries, and a greater readiness to have recourse to the exchange rate mechanism, has raised no objection.

M. Giscard d'Estaing, the Finance Minister, with his personal anti-inflationary leanings (as well as his pro-European attitude), is evidently in sympathy with the Commission, as are Paris bankers; while the low level of economic understanding through the rest of the country, at least in the quarters where opposition might be expected, may help to explain this complaisance.

Jossleyn Hennessy is on holiday and will resume his reports on the OECD countries on August 21, when he will offer an assessment of the new Tory government's policies and prospects as they will by then have revealed themselves.

It is noteworthy, however, that France has not been actively promoting schemes for monetary unification. It will almost certainly baulk at provisions such as those suggested by Dr Schiller for Council directives on economic mangement, on the basis of weighted majority voting, at a fairly early stage in his proposed timetable. In general, the West Germans, who tend to feel the greatest rectitude in currency matters, have been the most strenuous in pressing for supervision. Some Frenchmen, with the possible exception of Giscard, dislike being on the receiving end of binding advice.

II

BRITISH ATTITUDES

How would the UK fit into this picture?

Even after becoming a member, the UK is likely to be more exposed to the economic vicissitudes of third countries than existing members and could easily tend to be a deviant. Like France, the UK has a greater historic tendency towards inflation than the EEC average. And although the dramatic improvement in the balance of payments has tended to dispel many of the doubts over sterling that vitiated soundings of membership in 1967, it remains to be seen whether the UK's long-term trend of deteriorating international competitiveness has wholly disappeared, although the return of a Tory government has greatly improved the UK's economic prospects.

In short, the question of whether the sterling parity could be held rigid over the long term, to abide by the new EEC doctrine of rate rigidity, is open — as also whether it would be in the UK's interests to attempt to adhere to such a doctrine. It is no longer (as it so often mistakenly was in the 1960s) a question of whether sterling would survive the next crisis. It is a question of the long haul.

On the basis of the kind of negotiating timetable about which speculations are now heard — i.e. twelve to eighteen months from the beginning of negotiations — it is unlikely that the answers to this question will be much clearer by the time negotiations are complete.

The UK will, it seems, either join or remain outside the Community without any good evidence bearing on what could be the most important economic problem connected with its membership. Assuming the effects of sterling's devaluation have virtually settled down by 1971, it will be about 1974 before any reasonable judgement as to whether the long-term trend has been affected or not will be possible. Although some individual Treasury economists are concerned about this problem, the new Chancellor of the Exchequer appears not to be worried about the question of sterling in the EEC, in this or any other respect.

The Sterling Balances

The other sterling problem, the sterling balances, is likewise not urgent now.

It is possible to argue that the 1968 Basle arrangements, together with the exchange rate guarantees extended by the UK government now on virtually all official holdings, has disposed of the problem of sterling as a reserve currency. It is, however, only a temporary arrangement, expiring in 1971, though the essential terms could be renewed. In any case, there is no reason to believe that the Commission's opinion about the incompatibility of the sterling balances with EEC membership has changed much (M. Barre has said that the 1968 Basle arrangements do not in his opinion, change it fundamentally, and that some more permanent solution will need to be found). The Commission believed, as did most Europeans in 1967, that the problem could not be dealt with on a Community-wide basis, but could only be solved in a wider framework.

But the problem has now changed. First, the effectiveness of exchange rate

Fifteenth step towards prosperity

The birth of the State Bank 15 years ago was the first manifestation of social purpose in banking operations. The State Bank lost no time in spreading out into the semi-urban and rural unbanked areas. The ultimate aim was to mobilise the country's growing resources and then canalise them into the priority sectors.

The State Bank's progress in the past 15 years is reflected in the fact that the Bank's offices—only 477 to start with—have now multiplied beyond 1,850 with those of the Group (consisting of the Bank and its seven Subsidiaries) as a whole exceeding 2,900. Today the State Bank Group's deposits total nearly Rs. 1,700 crores. Its total advances aggregate about Rs. 1,350 crores of which advances to agriculture stand at Rs. 130 crores, another Rs. 160 crores having been pumped into the small-scale industrial sector. Advances for exports exceed Rs. 100 crores. Thus about 35% of the total advances have gone to these priority sectors.

In other words, the State Bank has been working for the last fifteen years to stimulate economic growth.

STATE BANK
—the biggest bank serves the smallest man

S.105

guarantees has been proven. Second, the question of funding must now be seen in relation to internal Community policy on monetary harmonisation. Whether or not it is possible to fund the sterling balances depends on UK interest rates relative to dollar rates. If UK rates are attractive and devaluation is not felt to be likely, no funding scheme will prevent sterling balances from being built up again. If rates in London are unattractive, the sterling balances will be a problem, unless they are funded. But interest rates, linked as they are to money and credit policies in domestic markets, are integral to the monetary policies which it would be necessary to co-ordinate within the integrating economy of the Community. The right interest rate level for controlling the sterling balances might, coincidentally, be appropriate to the monetary policy judged best from Brussels; or it might not.

III

RESERVE CURRENCY

There is a third new variable in the problem of sterling and the Community, i.e. whether jealousy of the American success at manipulating the reserve currency position of the dollar, a sentiment felt in Brussels as well as in Paris, is likely to cause the EEC to seek to enter that league.

It must quickly be said that a country does not normally choose to have a reserve currency. The choice is made for it by foreign nationals who decide to hold its currency. But holders of sterling abroad could be offered currency from the proposed European reserve fund, as part of a European solution to what remains of the problem of the sterling balances. This would provide a start to an EEC reserve currency, as well as reducing the amount of sterling held in excessive quantities abroad.

Although Commission members have been discreet about the reserve currency question, it is known that the desire to internationalise the proposed European monetary unit as soon as possible exists both inside and outside the Commission offices.

The ability during the past year or so of the USA to finance a payments deficit of unexpected size with no strain at all thanks to foreign willingness to add to holdings of dollars (private and

ECONOMIC ACTIVITY IN LEADING INDUSTRIAL COUNTRIES

JANUARY-DECEMBER—percentage change

		European Economic Community					Other countries				
		Belgium	France	Italy	Netherlands	West Germany	UK	Sweden	Switzerland	USA	Japan
Production: Index of industrial output[1] year to year	—1967-1968	5.3	4.1	6.3	10.9	12.3	5.3	6.3	6.0	4.7	17.3
	—1968-1969	10.9	12.7	2.9	12.6	12.5	3.4	7.4	10.6	4.5	16.8
Wages: Hourly earnings in manufacturing[2] year to year	—1967-1968	5.0	12.4	3.6	8.0	4.3	6.8	6.5	4.0	6.1	15.7
	—1968-1969	7.5	11.3	7.5	9.3	9.1	9.2	8.1	4.7	6.6	17.2
Prices: Index of wholesale prices of manufactures[3] year to year	—1967-1968	0.5	—2.0	—0.2	2.6	—5.7	3.7	0.9	..	2.9	4.1
	—1968-1969	3.1	10.1	3.9	—2.5	1.2	3.1	4.4	3.0	3.6	2.8
Order Books[4]: New orders received year to year	—1967-1968	18.9	..	..	9.4	7.4	10.6	12.6	..	10.2	17.5
	—1968-1969	27.4*	..	..	28.5	18.5	11.2	9.5	..	8.3	22.4

[1]Figures exclude construction in France, West Germany and the United Kingdom. Swedish figures exclude utilities. [2]Also covers mining in Sweden. Netherlands data refer to adult males only. Belgium, France, Italy, Netherlands, Switzerland and UK data are wage rates. Figures for Japan relate to monthly earnings. [3]Figures relate to consumer goods in Italy and West Germany and to producer prices in West Germany. [4]Figures relate to metal products in Belgium and Sweden, metal products (including shipbuilding) in the Netherlands, manufacturing in the USA, manufacturing (excluding food, drink and tobacco) in West Germany, engineering and electrical goods in the UK and machinery (excluding ships) in Japan. *January-September.

Production: Last year West Germany and Netherlands improved even on excellent 1968 performances; Belgium's growth rate swept forward, bringing it up among pacesetters; trends in France and Italy distorted by May 1968 strikes and autumn 1969 labour troubles, respectively. Elsewhere, production in Japan maintained phenomenal expansion. *Wages*: Everywhere except France, earnings climbed faster in 1969; UK trend not abnormal. *Prices*: EEC fears of accelerating inflation generally justified, especially in France; elsewhere, price trends mixed. *Order books*: Even stronger in flow of new orders almost everywhere augurs well for 1970 output.

Source: *Economic Trends* (Economist Intelligence Unit, 27 St. James's Place, London, S.W. 1.) dated May, 1970.

official alike, but mainly private), has made its impression.

All the more so as monetary conditions in Europe were less easy than they might otherwise have been. Conclusions have been drawn: the EEC information bulletin put out from its Paris office after the finance ministers' meeting in February attributed to ministers the view that the Community should have "some form of reserve currency, which in time could rival the American dollar".

These may not be the right conclusions; it may be more a question of the international banking network which the Americans now have, and which even a Europe expanded to include Britain could not match, than of currency as such. However, conversion of sterling held abroad would present the only opportunity of internationalising a European currency that could arise for a considerable time to come.

Ironing Out Fluctuations

The proposal to eliminate day-to-day market rate fluctuations also raises problems in the transititional stages. At present, national currencies are managed in relation to the dollar; they fluctuate no more than one per cent either side of their parity with the dollar, so that any currency except the dollar can fluactuate by anywhere up to two per cent *vis-a-vis* any third currency.

The only way to eliminate fluctuations among EEC currencies, while they are still managed against the dollar, would be to peg them rigidly to their dollar parities.

This would place the central banks charged with this responsibility in great difficulty during a run on, or into, any of the currencies involved: no bear squeeze or any other such tactic would be possible to combat speculators. To maintain scope for fluctuations *vis-a-vis* the dollar, while eliminating variations among member currencies, it would be necessary to select one EEC currency as the key, and peg the rest to it. This seems politically unlikely, as well as being inconsistent with the principle of equality of inconvenience which resulted in the choice of the Community "unit of account" (i.e. the US dollar — now used in all EEC accounting). This objective may need to wait until the final stage, when a common EEC currency has been developed.

IV

A RETREATING MIRAGE?

Official pronouncements have so far been vague as to the characteristics of the proposed common currency unit. In 1962, M. Marjolin said that this need not entail abolition of existing national currencies. So far, there is no indication that the Commission has departed from this view. Earlier this year, after the February meeting, Baron Ansiaux, Governor of the Belgian Central Bank, made the same point.

However, views appear to be divided, and it is easy to understand the desire to avoid the upheaval of a complete changeover to a new currency which would not be an even multiple of existing ones. On the other hand, a currency which is merely an accounting unit of central banks and governments, for some purposes but not for others, is unlikely to be of great practical value. And what is not found practical sooner or later withers away.

The Community still has time to sort out its priorities. It is likely that some of these are a little out of proportion. The substantial differences between member countries in expectations about money wage increases are unlikely to disappear quickly. The desire to force the pace of unification, by making exchange rates rigid at an early stage, is probably premature, and is risky, should a member with a payments disequilirium also founder into rising unemployment, yet meet with doctrinal resistance to a proposal to devalue. The optimism to be found in some of the plans, as in Dr Schiller's, that once co-operation between central banks became sufficiently close, fundamental imbalances between the member states could no longer occur, is doubtless inspiring — and is reminiscent of the optimism in the UK at the time of the national plan and the burst for growth — but is basically nonsense.

But that is only to say that the kind of errors generated by enthusiasm appear likely to be made. That these enthusiasms abound, after 13 years' hard slog since the Rome Treaty was signed, suggests that a programme very like the one discussed in February will be put into effect.

Sources and acknowledgements: This is the final article of four reporting in depth on the profound changes taking place in the European Economic Community. Previous articles appeared here on June 26 and July 3 and 10. They summarised, by special arrangement, an exclusive 42 page report in the May issue of *European Trends*, published quarterly to subscribers only by the "Economist" Intelligence Unit, 27 St. James's Place, London, S.W.1, but the EIU is responsible neither for my summary nor for my comments, based on a variety of sources.

How Willing Is Barkis?

E. B. BROOK

VIENNA:

WITH THE British election over and Europe aware once again with what shade of British opinion it is going to exchange views in the second set of negotiations on a British application for membership of the Common Market, these discussions will begin shortly.

The continent as a whole regards this bargaining effort, renewed by Britain after its failure seven years ago, with interest and from three distinct attitudes. The Market countries are genuinely interested in the possibility of Britain becoming a member and leaving the European Free Trade Association which it was largely responsible for creating as a counter-bloc to the Market at Stockholm in 1958. The EFTA countries, with Norway and Denmark also candidates for Market membership (as also is the Irish Republic), are uncertain and much less definite in their plans for the future than at any time since EFTA was formed. The third group, Comecon, is openly hostile to the idea of an enlargement of the Market, especially to the admission of Britain, regarding the possibility of the UK and others entering the Market as an extension of "the economic arm of NATO" and anticipating increased difficulties in trading between east and west Europe.

On the whole, also, Europe is not at all certain of Britain's wholeness of intention in seeking Market membership. This is not so much a suspicion of insincerity as a suspicion that, even if Britain really knows its own mind, it is not being held back by conditions which it feels alien and unsuitable to itself and doubting whether the cost will be equalled by the benefits. Britain's application for Market membership, the continent has noted, has scarcely been an issue in the UK elections and rarely, and then only incidentally, mentioned by the leading speakers or raised by questioners. Britain seems politically to have closed in upon itself and to have adopted an attitude of shrugging off world and continental problems.

This impression, very strong in Europe, reinforces the general attitude on the continent, in Market countries and elsewhere, that it remains very doubtful if the British really wish to come into the Market at all. Their withdrawal from east of Suez has certainly brought Britain rather more closely into line with the position of continental countries and the increasingly independent self-regard shown by Canada and Australia as well as the continued slow shrinking of the Commonwealth are regarded as significant but none of these circumstances persuades any one on the continent that the Briton has, at heart, really ceased to be an imperialist.

Ominous Suspicion

There is also, among the Market countries and in some others, an enduring suspicion that Britain seeks to join Europe in order to attempt to change the Market to its own advantage. Among the other EFTA countries there is an ominous suspicion that a bargain will be struck in Brussels that will leave Britain's EFTA partners — who still resent several outstanding British departures from EFTA rules to their disadvantage — to make the best of a very difficult situation on their own.

It has also not escaped attention that, while Britain prepares with some obvious unwillingness, to go metric in its weights, measures and currency next year, a recent opinion poll reported that, whereas out of every 100 inhabitants, 57 West Germans, 51 Italians and 49 Frenchmen said they would be willing to accept a European government above their countries' governments as responsible for common foreign, defence and economic policies, only 22 out of 100 Britons were agreeable. Sixty out of 100 of them expressed strong disapproval of the idea and 18 were uncertain. Europe is aware that the prospect of signing the Treaty of Rome (the Market's founding document) fills the average Briton with apprehension and some aversion — the more protestant of them think it has something to do with the Pope — and that the current mood in the UK is increasingly "little Englandism."

This is an unpromising background as the British gradually approach the first of the new consultations in Brussels. The last technical details still standing in the way of implementing the decision reached among the six Common Market leaders at The Hague in December to recommence talks with Britain were cleared in April. The first of the new discussions will begin within a few weeks.

The heart of the negotiations will be the Market's common agricultural policy over which Britain, with its often more advanced farming and its price support system for farm produce, has genuine difficulties in adjusting to continental and Common Market conditions. A further point at issue is whether Britain and the other candidates will be able to take any part in the Common Market's political consultations while still no more than applicants. The French, who resumed attendance at the western European Union ministerial meetings this month after boycotting them for over a year, are insisting that this fringe body and not the Common Market Ministers' Council is the place for applicants. The French objection appears likely to prevail.

As the new applicants' negotiations draw nearer, also, organisations within the Common Market are seeking to stiffen the terms in their areas of interest. European industrial thinking has been indicated in a document prepared by the influential Federation of Belgian Industries which advocates a firm line over terms and concessions that Britain should be required to agree to: that Britain and the others should make definite undertakings on commercial & industrial policy, medium-term economic and monetary policy, on transport, research, technology and power production.

Several continental industries will expect some important concessions from the British iron and steel industry, from its power industries and France may demand protection against British car imports on behalf of Citroen-Berliet. The British lead as manufacturers of commercial vehicles outside Europe — within the Market area they have to pay a 22 per cent tariff—and their freer entry would be a threat to Daimler Benz and Fiat and a menace to smaller firms. When standardization is achieved over technical details and safety controls the competition posed to continental car and commercial vehicle manufacturers by Leyland (who have a large assembly plant in Belgium already) and by Bedford trucks will be significant.

Enough is already clear to make British expectations that discussion can be finished in two years appear optimistic. A transitional period, once Britain signs the Treaty of Rome, might last as long as seven years but the present market, lead by France, would seek to curtail it so that the full range of Market restrictions could operate to control the new members.

Taiwan's Success Story

K.K.G. NAMBIAR

"I HAVE not fulfilled my duty of saving the nation and the people. I cannot face God and our compatriots in good conscience until I do that." This is being repeated, with tears trickling down from his eyes, by Gen. Chiang Kai-shek, the 82-year-old President of the Republic of China in exile in Formosa. But he heads today one of Asia's economically most prosperous and politically stable countries. For all its isolation from mainland China, Taiwan which has a population of 14 million, is "rich, very rich, increasingly rich, year after year."

Historically, Taiwan was a quiet backwater, populated largely by rice-producting peasantry who originally came from the mainland provinces of Fukein and Kwangtung. The Portuguese who discovered the island and named it Formosa, or "beautiful" in 1590 or the Dutch who settled later were unsuccessful in establishing themselves there. In 1683 Manchus occupied the island and incorporated it in one of the mainland provinces. Thus, Taiwan became a part of the Chinese empire till it was ceded to the Japanese in 1895.

After World War II, the island was returned to China. But the transition was a bitter and painful experience. The local population revolted against the new regime headed by Chien Yi, a former warlord. Later, following the communist victories in 1949-50, the Nationalist government was transferred to Taiwan which was accompanied by some 2 million refugees and a large military force. There was also the fear that the native Taiwanese might not accept the Nationalist Chinese government. Thus, Taiwan's entry into the postwar era was not a promising one. It was marked by poverty, a refugee problem, financial crisis and rapid inflation. In fact, it was greeted by both political chaos and economic disruption.

But within less than two decades, Taiwan has emerged as a nation with a standard of living which is one of the highest in Asia, though it is below the Japanese standards. During the last one decade, Taiwan's economy has moved at an annual growth rate of between seven and 10 per cent. Industry has recorded a growth rate of 15-18 per cent each and keeps Taiwan's boom economy booming. The real per capita income increased from US $101.5 in 1952 to US $209 in 1967 (at 1964 prices). At constant price level, the per capita income in 1968 was US $237 which is more than four times that of India.

The republic has almost wiped out illiteracy. The compulsory education

span has been extended from six to nine years. Public health has been improved to the point where most tropical and communicable diseases have largely been eliminated. Transport and communication facilities are being steadily improved. The number of harbours, air fields and highways have increased several folds. Consequently, tourism has become an important source of invisible earnings for Taiwan. Tourism added US $30 million of foreign exchange earnings in the first half of 1969 over the first half of 1968. Taiwan's fifth five-year plan now in its first year of operation calls for considerable investment in infrastructure of all kinds: harbours, roads, railways, ports, schools, urban development etc.

In the first half of 1969, Taiwan's official index for industrial production was up by 20 per cent as compared to the corresponding period of 1968. Similarly, exports, the major catalyst in the economy, were 25 per cent above the already high level in the first six months of 1968. Industry and agriculture have moved at a pace surpassing considerably the targets set in the economic development plans. The steady increase in the share of industry in the net domestic product and the decline in the share of agriculture reflects the structural changes taking place in the economy.

Technological Changes

The composition of Taiwan's present exports is a proof of the serious versification and technological changes being achieved by the republic's economy. The share of industrial production in the exports constituted 76 per cent in 1968 while that of agricultural products and processed agricultural products represented 8 and 16 per cent respectively. The export of iron and steel products, petroleum products and plywood products continued to move ahead. Taiwan is also one of the important suppliers of electronic equipment to the United States. Among the exported items, electronic parts, machinery and equipment and man-made fibre constitute the bulk.

More and more sophisticated industries such as petroleum, chemical fertilisers, aluminium and also electronics are rapidly advancing. The production of industrial goods such as rods, bars, pig iron, cast iron, aluminium ingots, steel cables, etc., is in full swing. Electrical machinery and appliances doubled their production in 1968 compared to the previous year. The output of cement is much more than domestic requirement and the republic earns substantial foreign exchange through cement exports. Taiwan's coal production too is large.

In the Asian area, Taiwan is the second largest fertiliser producing country, next only to Japan. The Taiwan Fertiliser Company, a government operated firm accounts for over 70 per cent of the nitrogenous fertiliser supply and operates five of the six plants in the country. In the field of consumer goods industries, the republic manufactures such items as television sets, refrigerators, sewing machines, electric fans, transistor radios, automobiles, motor cycles and wrist watches. Taiwan is also one of the major producers of cotton textiles which continue to head the list as the major foreign exchange earner. The island's export of textiles in 1968 at $191 million was almost double that of India in the same year.

Key to Progress

How was Taiwan able to progress so impressively when the record of most of the underdeveloped countries continues to be rather dismal? Some groundwork was of course done by Japan during its colonial rule in Taiwan by establishing certain infrastrcture nerves like power, communication, as also a water control system — the last measure greatly helped to develop agriculture. However, beyond this Japan had done nothing.

Successive four-year development plans launched since 1952 — after the outbreak of the Korean war — began to slowly change the face of Taiwan. The success of the three plans were virtually underwritten by the USA whose aid (grants, loans and technical support) to the island totalled about $2 billion (US aid to Taiwan is still said to be in operation at the rate of $50 million per annum). The massive US aid helped Taiwan to import capital goods and raw materials needed for its industrial development programme which otherwise it could not have afforded. The aid also helped the Government to rehabilitate and improve the basic public services of transportation, communication, power and water.

The policy adopted by the government to rely largely on the initiative of the private sector also helped Taiwan to attain its present level of prosperity. Control over the direction of investment by the government in industries has never been so tight and rigid. Foreign firms with finance, management and technical experience were encouraged to locate industries in Taiwan. The total foreign investment approved totalled US $104 million in 1968. Of the total amount, 38 per cent came from overseas Chinese in 213 projects while the remaining were made by foreign nationals in 125 projects — mostly the USA and Japan.

The freedom and reliance placed on individual initiative and enterprise resulted in several businessmen and technicians from areas like Shanghai and Canton establishing themselves in Taiwan to take advantage of the opportunities offered by US aid. This was responsible for the large growth both in agriculture and light industry which are the economic basis on which the country is now developing. No less important was the hard work, intelligence and skill of the Chinese.

The policy of the government has been "developing industry through agriculture and expanding agriculture through industry." This led to quick development in both the sectors simultaneously. During the last 15 years, the annual growth rate of agriculture averaged 6.1 per cent. Land reform, technological improvements and marketing changes have been the main instruments employed by the government to increase agricultural output.

Land Reform

Landlordism in Taiwan not only caused social friction but also acted as a barrier to the growth of agriculture by impeding the farmers' initiative and denying them incentives to take up farming intensively. Rent reduction and sale of public land to the tenant-farmers are the important features of land reform. Landlords were not allowed to possess more than seven acres of land. The excess was purchased by the government and sold to the tiller on easy instalments. Taiwan's "land to the tillers" programme has made over 90 per cent of Taiwan's farmers independent landowners.

Recently, the republic successfully completed one of its most ambitious programmes, "Kaohsiung Export Processing Zone" (KELP). Under this programme, about 170 desolate acres of unused sandy beach has been magically transformed into a thriving industrial area. This has added considerably to the island's foreign exchange earnings, productivity indices, employment and finally to the gross national product.

The major dream of Gen. Chiang-Kai-shek remains unfulfilled, however, his success — economic and political — has not enabled him so far to achieve a return in triumph to a mainland overrun by the communists over two decades ago. With his well-trained and well-equipped 600,000 army, he is ready for an invasion of the mainland, but Washington that foots the bill for his army will not permit such an adventure.

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AGENTS : Gangabishan Bhasin, Krishan Gali, Katra Neel; S. K. Traders, Katra Neel, Chandni Chowk, Delhi.

Trade Winds

IMPORT SUBSTITUTION

A STUDY made by the Directorate General of Technical Developement of the progress of import substitution during the years 1968 and 1969 shows that though there was a large reduction in foreign exchange allocations, industrial production registered a substantial rise and several new items were produced and new ranges of production undertaken. The study is in continuation of the review on "Import Substitution and its Impacts" published last year by DGTD covering the years from 1960 to 1967 and was undertaken at the instance of the High Level Committee on Import Substitution. The Committee at its second meeting held in October last year had said that the year 1968-69 should be taken as the base year for future evaluations of achievement in the field of import substitution. The earlier assessment for the period from 1960 to 1967 had said that while allocations of foreign exchange had been reduced by 40 per cent, the value of production during the period had increased by 2½ times and the savings in foreign exchange expenditure had amounted to Rs 400 crores. The present study shows that the index of industrial production for industries looked after by DGTD which had risen from 110.4 in 1961 to 192.0 in 1967 (base year 1960=100) rose to 203.7 in 1968 and 215.0 in 1969, that is by 5.5 per cent. The study for the period 1960 to 1967 covered 79 industries. Another 33 industries were added on to the study conducted in respect of the years 1968 and 1969.

Taking the first list of 79 industries alone, the value of production increased from Rs 1,684 crores in 1967 to Rs 1,860 crores in 1968 and Rs 2,093 crores in 1969, that is an increase of 12.5 per cent in 1969. The foreign exchange allotments totalled 19 per cent of the value of production in 1967, 9.6 per cent in 1968 and about 10 per cent in 1969. Taking the second group of 33 industries alone, production in 1969 was higher by 16.8 per cent over the previous year while foreign exchange allocation fell by 26.5 per cent.

Taking all the 112 industries together, the overall production in 1969 was 13.3 per cent higher than in 1968 while, in terms of value of production, the allocation of foreign exchange fell by over 4 per cent. The value of production rose from Rs 2,301 crores in 1968 to Rs 2,608 crores in 1969. At full value of production increase, the savings in foreign exchange due to increased production are estimated at Rs 307 crores.

MICA EXPORTS

Some uncertainties had been caused in the minds of the Indian exporters and importers abroad of mica as a result of the setting up of the Mica Advisory Committee. It has been officially announced that the terms of reference of this committee are: (*i*) to prepare a development programme for mica industry and to recommend steps necessary for promoting exports of mica and mica products; (*ii*) to prepare programme of market surveys and product development; and (*iii*) to recommend steps which should be taken to improve mining of mica. The committee is concerned with the structure of prices indirectly. In any case, there is no intention to modify the floor prices regime.

TRADE FAIR AT DAR-ES-SALAAM

Indian participation in National Agriculture and Trade Fair, which concluded in Dar-es-Salaam on July 7, has aroused considerable interest among local traders in a variety of Indian products which were on display at the Indian Pavilion. It has won a trophy for being the third best display. According to Director of Pavilion, Mr P. K. Ramachandran, trade enquiries, particularly in respect of textiles, brassware and machinery, have been received to the tune of over a crore of rupees. There was also a brisk retail sale of khadi goods.

ADVISORY COUNCIL ON TRADE

The union government has reconstituted the Advisory Council on Trade for a further period of two years from January 1, 1970. The tenure of the last council had expired on December 31, 1969. The council will review the performance of the country's economy in its commercial aspects, and consider problems relating to the expansion of exports and regulation of imports, operation of import and export trade controls, working of commercial services, with particular reference to export marketing and export assistance and organisation and expansion of the export sector of the economy. The Minister of Foreign Trade is the chairman of the reconstituted council, which comprises of 119 members. The Deputy Minister of Foreign Trade is the Deputy Chairman and the Chief Controller of Imports and Exports is the Member-Secretary of the council. The members of the council are drawn from members of Parliament, commercial and industrial organisations, public sector trading corporations, export-import advisory committees, commodity boards, export promotion councils, research and developmental organisations, Reserve Bank of India, Export Credit and Guarantee Corporation and various government departments.

FAIR IN KAULA LUMPUR

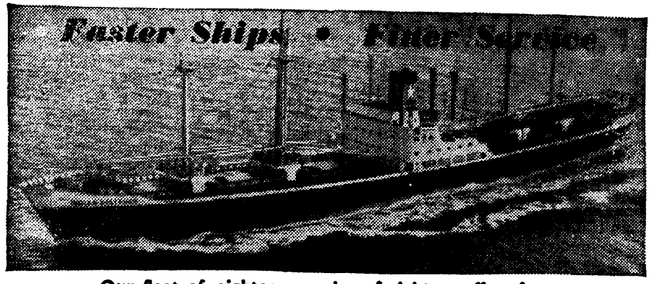
The Indian Trade and Industrial Exhibition was declared open by Tun Haji Abdul Razak Bi Hussain, acting Prime Minister of Malaysia, at Kaula Lumpur on July 7, 1970. The inauguration was attended by ministers of Malaysian government, diplomats and other high dignitaries and businessmen. Welcoming the acting Prime Minister of Malaysia, Mr K. C. Nair, Indian High Commissioner, said the several new Indian items, particularly engineering goods, were finding their way into Malaysian market. He added that the number of Indian businessmen visiting Malaysia was progressively increasing and hoped that the present exhibition would stimulate further the growth of such contacts and widen the scope of joint industrial ventures. Mr Hussain, acting Prime Minister, in his reply hoped that the exhibition would strengthen and promote further trade and economic links between the two countries. He expressed the view that Indian entrepreneurs would avail themselves of the favourable investment climate in Malaysia and discuss the possibility of joint venture projects with their Malaysian counterparts.

TRADE WITH FRANCE

French and Indian delegations during talks held recently in Paris "considered ways of increasing their cooperation particularly in the economic, trade, cultural, scientific and technical fields," a joint communique stated. The talks came within the framework of regular Franco-Indian consultations. The joint communique, stated that the next round of consultations would be held in New Delhi.

NYLON YARN

The union government has decided to issue industrial licences for plants to make nylon textile filament yarn having a capacity of 12 tonnes a day in one phase or six tonnes a day in two phases. Applications have been invited from entrepreneurs including cooperatives of users and state industrial development



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corporations who may want to establish plants for the manufacture of nylon textile filament yarn. Applications will have to reach the Ministry of Industrial Development by August 6.

SUGAR BEET CULTIVATION

Cultivation and processing of sugar beet is to be encouraged extensively during the fourth five-year Plan. In pursuance of the decision of the union government to this effect, the union Department of Agriculture have initiated several measures for the development of sugar beet, to start with, in suitable locations in the states of Punjab, Haryana, Rajasthan and Uttar Pradesh. For this purpose a centrally sponsored scheme at a total cost of Rs 4.35 lakhs has also been sanctioned. The scheme envisages the establishment of four centres, one in each of these states for providing the needed technical know-how for successful cultivation of this new crop. Further, research and investigation on various aspects of sugar beet cultivation will also be undertaken by the scientists of the Indian Council of Agricultural Research under the all-India co-ordinated project for sugar beet improvement.

UNEMPLOYMENT STUDY

The union cabinet last week decided to set up an experts committee to evolve measures to tackle the unemployment problems. The composition of the committee will be determined by the Minister for Finance, Mr Y. B. Chavan, and the Minister for Labour and Employment, Mr D. Sanjivaya. It is expected that prominent economists and representatives of state governments will be placed on it along with members of Parliament. The committee will go into all aspects of unemployment, both in the urban and the rural areas. It is expected to submit its report within six months.

INDO.-U.A.R. TRADE

Under an agreement approved last week, the trade turnover between India and the United Arab Republic during the current financial year is to be raised to Rs 41 crores each way. This will be much larger than the trade exchanges between the two countries in 1969-70. During the 11 months to February last, Indian exports to the UAR totalled Rs 33 crores. The UAR exported to us during this period goods worth Rs 22 crores. Both the countries have agreed to increase the off-take of the commodities they are buying from each other. The principal imports by us from the UAR are cotton, rock phosphate and rice. We export to the UAR mainly industrial products, iron and steel, tea, jute, spices and tobacco. During the current financial year, some industrial poducts are to be imported by us from the UAR.

The shipping problems between the two countries also figured at the last week's talks. It was agreed that the UAR would send a team of experts to sort out the issues.

OIL EXPLORATION

The search for oil in West Bengal, which was suspended early last year due to technical difficulties arising out of high pressure of gas, is expected to be resumed this winter. Four sophisticated digital seismic units are being imported by the Oil and Natural Gas Commission at a cost of more than Rs 40 lakhs in free foreign exchange to undertake the exploration work afresh. The necessity to import these sophisticated units has arisen because the oil structures in West Bengal are belived to exist at very great depths. The

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conventional seismic equipment has failed to detect them.

DRUG PRICES

The union government has announced the pooled prices of some of the imported essential and non-essential bulk drugs. The pooled prices will be weighted average prices of indigenous production and imported quantities. These prices will be effective for one year. The step has been taken with a view to pass on to the consumer a part of the benefit of the lower prices of the imported material. The prices are :

Name of the drug	Pooled price
	Rs per kg
Streptomycin	295
Tetracycline	650
Phenacetin	43
Phenobarbitone	170
Sulphadimidine	77
Ana gin	137
Ami lopyrine	105
Vitamin B-1	382
Vitamin B-2	682
Folic Acid	1312
Chloramphenicol	330

The State Trading Corporation, through whom the imports of the above drugs have been canalised, will pass on the imported material (except Chloramphenicol) to the Indian Drugs and Pharmaceuticals Ltd who along with their own material will sell these at the pooled prices.

In the case of Chloramphenicol, the distribution will be done by the State Trading Corporation. The manufacturers of the above drugs in the private sector are required to sell their production to the actual users at these pooled prices. In case of Tetracycline and Chloramphenicol the government will intimate these manufacturers the quantity they are required to supply to other pharmaceutical manufacturers. The indigenous producers will be reimbursed by IDPL or STC, as the case may be, the difference between the pooled price on one hand and the controlled price, in the case of essential drugs, and the price prevailing before the Price Control Order in case of other drugs on the other. A committee is proposed to be set up to scrutinise the new reduced prices of drugs. Dr Triguna Sen, Minister for Petroleum and Chemicals and Mines and Minerals, stated that the government may consider opening of retail shops at district level to sell drugs at fair prices if situation warrants. Meanwhile the states have been requested to strengthen the departments of drug controllers with more and qualified inspectors.

SPECIAL DRAWING RIGHTS

The International Monetary Fund has recognized the improvement in balance of payments and reserves of this country. It has included this country among the 25 which will be asked during the current quarter, beginning July, 1970, to accept Special Drawing Rights and provide convertible currency. From other participants of the SDRs scheme, India will be expected to accept up to $ 14 million and provide convertible currency in return. Under the SDR scheme, India was allotted on January 1, 1970, $ 126 million out of the total of $ 3.4 billion. SDRs are treated as an unconditional reserve asset and can be used like any other reserves. When one member uses SDR, it acquires for the purpose of external payments convertible currencies from certain other members who accept the SDRs and provide convertible currencies in return. This country has so far used SDRs of a total value of $41.75 million.

Every quarter, IMF selects countries on the basis of their balance of payments and reserves position for the purpose of providing convertible currencies to users to SDR. In doing so, IMF aims at promoting over a period of time a balanced distribution of SDRs among the participants.

SUGAR INDUSTRY

Mr S. K. Somaiya, President, Indian Sugar Mills Association, expressed serious concern that the banks were generally reluctant to give the deferred payment guarantees for plant and machinery purchased by sugar factories, particularly for factories in the states of UP and Bihar, on fear of nationalisation of the industry in these states. So far as these states were concerned, banks are reported to have taken a policy decision to refrain from giving such gaurantees. Mr Somaiya expressed great disappointment at this policy of the nationalised banks which would seriously affect the rehabilitation and modernisation of factories in the states of UP and Bihar.

Stating that the Industrial Development Bank of India was encouraging the supply of plant and machinery on deferred payment terms and was allowing various facilities for the purpose, Mr Somaiya observed that if the banks refrained from giving guarantees which were required under the IDBI scheme, it would be difficult for the mills to avail of the facilities granted by IDBI and purchase plant and machinery for rehabilitation and modernisation.

NAMES IN THE NEWS

Two new eustodians of banks were appointed on July 9, 1970. **Mr R. A. Gulmohamed** is to take over as Custodian, Dena Bank, in place of **Mr Pravinchandra V. Gandhi,** who retired. **Mr P. F. Gutta** has been appointed Custodian, Union Bank of India, in place of **Mr F.K.F. Nariman,** who retired.

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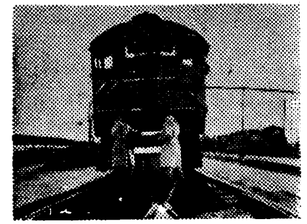
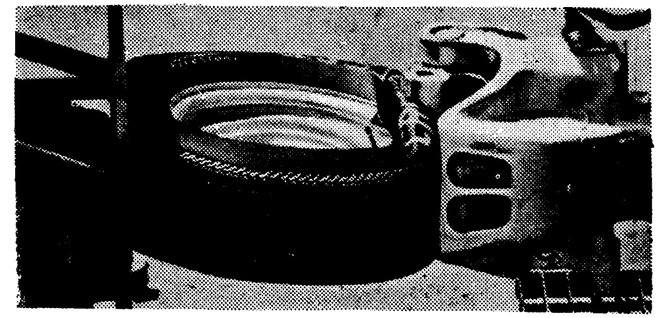


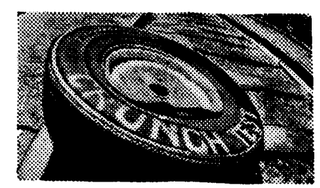
The tyre was mounted on a new rim; it had no other protection of any kind.

The two engines met with the sound of crunching metal, the tyre trapped between their awesome bulk. Immediate inspection showed the heavy steel wheel crunched into a shapeless heap of metal.



The Firestone crew removed the tyre from the broken rim. An undertone of unbelieving approval was heard from the crowd of curious gathered as the tyre, freed from the rim, sprang back into perfect shape—without a scratch, tear, gouge, rip, or apparent abrasion of any kind.

Immediately the tyre was put on a new wheel, re-inflated and placed on a test car which drove away.



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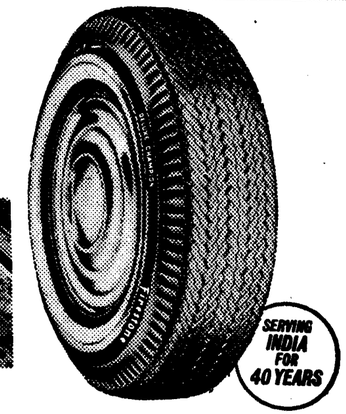

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Company Affairs

METAL BOX

MR BHASKAR Mitter, Chairman, the Metal Box Company of India Ltd, stated at the annual general meeting held recently that the company increased its product sales by 6.2 per cent during the year 1969 to Rs 27.03 crores. This performance could have been improved if the factories in Calcutta had not been closed, during which period a substantial fixed costs had to be incurred. The company's profit therefore dropped to Rs 102 lakhs from 192 lakhs a year before. The chairman indicated that the interim dividend had therefore, to be passed over. In view of the subsequent improvement in performance the directors decided to draw a sum of Rs 5 lakhs from the general reserve and recommended a dividend of six per cent.

The chairman stated that demand for packaged consumer goods has steadily increased over the years and it was difficult to forecast the impact of excise levies introduced in the last fiscal budget on metal containers and on products which are packaged. He added that the burden of these levies is bound to be substantial for the infant processed food industry. He pointed out that the ratio of package cost to retail selling price for the UK on a number of selling consumer items varies from 6 to 12 per cent as against 14 to 25 per cent in this country. The burden of these levies is therefore likely to delay the growth of rural markets for package products.

Mr Mitter pointed out that the shortage of raw materials has been quite serious during the year under review because tinplate supplies from Rourkela have been meagre and in spite of these shortages the ban on import for general purpose tinplate continued during the year. There still exists a wide gap between the supply and demand for tinplate, and if it persists it can have an adverse effect on a number of consumer industries. Talking about exports, Mr Mitter stated that the company recorded an increase of 24 per cent in terms of exports over the previous year in spite of considerable competition abroad. The company continued to search for new markets and it has been able to gain entry into countries such as Australia, Ireland and Ghana. It was given an outstanding performance award for crown corks by the Engineering Export Promotion Council. Apart from the exports worth Rs 70 lakhs, the value of goods exported in packs manufactured by the company were estimated at around Rs 20 crores.

GWALIOR RAYON

The Gwalior Rayon Silk Manufacturing (Weaving) Co. Ltd has received the consent of the Controller of Capital Issues for the issue of bonus shares in the ratio of one share for every five shares held. The bonus issue will be made by capitalising a sum of Rs 1.10 crores out of the company's reserves. The bonus shares will rank *pari passu* with the existing shares for the dividend from the financial year 1970-71. After the bonus issue the company's capital will increase to Rs 6.60 crores.

UNIT TRUST

The Unit Trust of India has announced a marginally higher dividend of 72 paise per unit of Rs 10 (7.2 per cent) for the year ended June 30, 1970, against 7.1 per cent paid last year and 7 per cent for the year before. The income of the trust during 1969-70 has been higher at Rs 6.28 crores compared with Rs 4.83 crores in the previous year. The income allocated to the unit capital works out to Rs 5.90 crores. Out of this a sum of Rs 5.61 crores has been earmarked for distribution to unit holders whose names were on the trust's register on June 30, 1970. The despatch of income distribution warrants is expected to start by the end of September. According to Mr R. S. Bhatt, chairman, the trust's income during 1969-70 does not include the usual income of dividends from banks. He has said that the trust's investment in shares of the nationalised banks amount to over Rs 3 crores. During the year, the trust received over 61,000 fresh applications against which units worth Rs 22.45 crores were sold. This is the highest figure for any year so far. Of this, 606 applications for Rs 49.54 lakhs were received from non-residents. The trust also received 9,455 applications for repurchases involving Rs 2.04 crores composed with 8205 applications for Rs 1.67 crores in the previous year. At the end of June, 1970 there were over 333,000 unit holders and their total holdings amounted to Rs 77.44 crores. The sale price of Rs 10.50 has been fixed during the current month of special over period. The trust has also introduced from July 1, 1970, children's gift plan which seeks to provide to parents and relatives of a minor child and others a facility to buy units in favour of a minor child, who is the sole beneficiary. The child can deal with the units only from the date he completes the age of 21. Meanwhile the income of the units will be automatically reinvested.

ZENITH STEEL

The directors of Zenith Steel Pipes Ltd have proposed to maintain equity dividend of 10 per cent for the year ended April 30 ,1970, on a higher capital as raised by the one-for-three bonus issue. Its gross profit has increased to Rs 1.26 crores from Rs 82.13 lakhs. Its sales have moved up to Rs 8.66 crores from Rs 7.72 crores in 1968-69. The company manufactured 33,900 tonnes of pipes against 36,300 tonnes in the previous year. Its exports of pipes were however, higher at 18,900 tonnes against 15,562 tonnes. The value of pipes exported amounted to Rs 2.04 crores. The company exported about 56 per cent of its production to about 38 countries. The price realisation per tonne of pipes exported during the year was the highest among all the tube manufacturers in India. The company's net profit amounts to Rs 43.63 lakhs against Rs 35.22 lakhs, after providing Rs 13.14 lakhs for depreciation, Rs 0.72 lakhs for development rebate reserve, and Rs 68.55 lakhs for taxation. A sum of Rs 45.50 lakhs has been transferred to the general reserve out of which the proposed dividend amounting to Rs 14 lakhs will be paid.

ZUARI AGRO CHEMICALS

The recent equity issue of 2,582,500 shares of Rs 10 each to the public by Zuari Agro Chemicals Ltd has been over-subscribed by over eight times. According to the basis of allotment finalised by the board of the directors of the company lots will be drawn for shares ranging from 50 to 150. Twenty-five shares each are to be allotted to two out of seven applicants for 50 shares each and 25 shares to four out of seven applicants for 100 shares each; 25 shares each are to be allotted to three out of four applicants for 150 shares each. A fixed allotment is made to those who have applied for 200 shares and more—25 shares are to be given to applicants for 200 shares and 50 shares to those who have applied for shares ranging from 250 to 750. The number of shares to be allotted, with the number of shares applied for is as follows : 75 (550 to 750), 100 (800 to 1,000), 150 (1,050 to 1,500), 200 (1,550 to 2,000), 250 (2,050 to 2,500), 300 (2,550 to 3,000), 350 (3,050 to 3,500), 400 (3,550 to 4,000), 450 (4,050 to 4,500), 500 (4,500) to 5,000), 550 (5,050 to 5,500), 600 (6,550 to 6,000), 650 (6,050 to 6,500), 700

(6,500 to 7,000), 750 (7,050 to 7,500), 800 (7,550 to 8,000), 900 (8,050 to 9,000), 1,000 (9,050 to 10,000), 1,050 (10,050 to 10,500), 1,100 (11,000) 1,200 (12,000), 1,400 (14,000), 1,500 (15,000), 1,600 (16,000), 1,800 (18,000), 2,000 (20,000), 2,000 (20,500), 2,100 (21,000), 2,200 (22,000), 2,500 (25,000), 3,000 (30,000), 5,000 (50,000), 6,100 (61,000), 8,000 (80,000), 24,500 (350,000) and 32,750 (500,000). Full allotment has been made in respect of the preference issue 412,375 shares of Rs 100 each.

SYLVANIA AND LAXMAN

Sylvania and Laxman Ltd will enter the capital market on July 24, 1970, with an offer of 20,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The issue will close on August 4, 1970, or earlier at the discretion of directors but not before July 27, 1970. The company has an authorised capital of Rs 2 crores and issued, subscribed and paid-up capital of Rs 1 crore. The entire issue has been underwritten. The company which manufactures fluorescent lamps, general lighting and service lamps and glass shells is finding difficulty in getting sufficient allocation of foreign exchange for its full requirements of imported raw materials and components. It, therefore, proposes to manufacture vital components such as fluorescent powder, coils and lead-in-wires. The object of the present issue is to meet a part of the cost of this new project. The installation of the new project will be in its factory at Najafgarh Road, New Delhi.

VIJAYA BANK

The Vijaya Bank Ltd opened a branch in New Delhi, on Friday, July 10. The bank was established in 1931 at Mangalore and at present its branches are functioning in the states of Andhra Pradesh, Tamil Nadu, Kerala, Mysore and Maharashtra. Bank deposits as on December 31, 1969, were at Rs 18.70 crores and the directors recommended a dividend of 8 per cent for the year. The present Chairman of the bank, Mr M. Sunder Ram Shetty, was associated with the bank as a director since 1946, honorary chairman since 1962 and continues as whole-time chairman since 1969. It is during his stewardship of the bank that the expansion has been rapid. The deposits which were Rs 1.44 crores in 1961 reached over 20 crores in 1970. The branches which were 21 in 1961 increased to 115. In the year 1969, the bank shifted its administrative office to Bangalore, the capital of the Mysore State. However, its registered office continues to be in Mangalore. Out of the 115 branches, 85 are situated in rural and semi-urban areas while only 30 branches are situated in urban areas.

GUEST, KEEN, WILLIAMS

Mr K. C. Maitra, Chairman, Guest, Keen, Williams Ltd, has stated that the year 1969 recorded sustained growth in the demand for company's products, but it could not take full benefit of the escalating demand as the company's installed capacity remained mostly unutilised owing to an acute shortage of steel. The company was also faced with serious labour troubles at its works. All efforts to restore normal working having failed, the mangement was compelled to declare a lock-out from December 14, 1969. The lock-out was, however, lifted on March 3, 1970, after the workmen finally agreed to accept July 1, 1969, as the date of implementation of the state level settlement, followed by a tripartite agreement. Sales were higher at Rs 32·03 crores compared to Rs 29.51 crores for the previous year. The pre-tax profit for the year, however, rose from Rs 8.39 lakhs to Rs 1.61 crores.

SYNTHETICS AND CHEMICALS

The Company Law Board has issued a ruling abrogating the sole selling agency agreement of Kilachand Devchand with Synthetics and Chemicals Ltd as of October 1, 1968, the date when the appointment was claimed to have been renewed, according to a press release issued on behalf of Firestone Tyre and Rubber Company, a major shareholder of Synthetics and Chemicals. Subject to orders of the Bombay High Court in suits No. 522 and No. 681 of 1969, which have been filed by the Firestone Tyre & Rubber Co. and which are still pending, the order permits payment by Synthetics and Chemicals to Kilachand Devchand & Co. for expenses claimed by Kilachand & Devchand only for the period October 1, 1968, to March 30, 1970, the press release added.

TATA IRON

The Tata Iron and Steel Co Ltd is now engaged in the implementation of a diversification and modernisation programme involving a capital outlay ranging from Rs 100 crores to Rs 120 crores. The programme covers, among other things, replacement of old machinery by new plants, setting up of additional manufacturing facilities in nearby Adityapur and expansion of production of washed coal. The company also intends to go in for additional production of plates. When this programme is completed there will only be a marginal increase in the rated capacity in terms of steel ingots from two million tonnes to 2.2 million tonnes a year. Outlining the salient features of the company's modernisation and renovation programme, the managing director of the company, Mr S. K. Nanavati, stated recently that the company would try its best to keep down the foreign exchange component of the scheme. The company proposes to approach the World Bank for a loan of about Rs 20 crores to meet the foreign exchange requirements. The company will be able to find a sum of Rs 40 crores from its own internal resources. It is planning to raise debentures to the tune of Rs 20 crores shortly. It will be seeking assistance from such financial institutions as IDBI, ICICI and IFC for meeting the balance of the financial requirements.

TATA ENGINEERING

Tata Engineering & Locomotive Co Ltd which was established 25 years ago with the object of manufacturing steam locomotives and other engineering goods has now stopped the production of locomotives. In terms of its agreement with the Railway Board the last locomotive was delivered to the railways a fortnight ago and the company is no longer in this manufacturing field. The manufacturing facilities in this division will be utilised for producing general engineering products including shutters. Workers connected with the manufacture of steam locomotives are being retained and redeployed in other divisions, with the shifting of emphasis to other aspects of engineering department.

NATIONAL RAYON

Four additional directors of the National Rayon Corporation Ltd, namely, Mr Rasiklal J. Chinai, Mr C. G. Mahant, Mr R. K. Framji and Mr Natwarlal Chinai, resigned their positions in Bombay recently but the first three of them were co-opted as directors at the board meeting held in the afternoon on the same day. The resolution co-opting them was adopted by a majority, four in favour and one against. While poll results confirming the appointment of the above-mentioned four additional directors are awaited, the Kapadias feel that under Section 260 of the Companies' Act the four additional directors have ceased to be directors from the mid-night of June 24-25, 1970, the day of the company's annual meeting, when poll was taken. The Kapadia group went to the high court challenging the continuation on the board of the four additional directors after the day of the poll. Their resignations were in line with the 'oral order' of the court. But the co-option of the first three of them by the board on the same day might again be challenged by the Kapadia group which pointed out that the co-option was not unanimous, but was only by a majority.

RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962-100) moved up slightly by 0.1 per cent to 175.9 during the month of April, 1970 when compared to the previous month's level of 175.7. At this level the index was higher by 6.5 per cent when compared to April 1969. During April 1970 the index for 'food articles', 'fuel', power, light and lubricants & manufactures, advanced by 0.1 per cent each to 199.4, 160.2 and 149.0 respectively; whereas 'chemicals' rose by 0.2 per cent to 193.0 and 'machinery and transport equipment' by 1.7 per cent to 142.6. However, the indices for 'liquor and tobacco' and 'industrial raw materials' recorded a fall of 1.3 and 0.1 per cent to 187.0 and 187.4 respectively.

Food Articles

Lower prices of wheat, jowar, bajra, maize and barley brought down the index for 'cereals' by 1.2 per cent to 202.7 in April 1970. Commodities which exhibited a rise during the month were rice and ragi. Owing to a fall in the prices of gram and other pulses, the index for 'pulses' sub-group also receded by 7.0 per cent to 234.9. Consequently the index for 'foodgrains' declined by 2.4 per cent to 208.5 when compared to the previous month but at this level it was higher by 8.5 per cent when compared to that of a year ago. The index for 'fruits and vegetables' rose by 8.9 per cent to 202.6 due to higher prices of all the items except onions which depicted a fall. Due to a rise in the prices of milk ghee and butter the index for 'milk and milk products' went up by 4.2 per cent to 208.9 as compared to 200.4 for the previous month. The prices of groundnut oil, gingelly oil and vanaspati, were marked up and as a result of this the index for 'edible oils' moved up by 0.9 per cent to 222.0. Owing to a fall in the prices of eggs, fish and meat, the index for this sub-group fell by 2.0 per cent to 198.98. The sub-group index for 'sugar & allied Products' declined by 1.7 per cent to 152.8 as a result of a fall in the prices of gur and khandsari. The prices of sugar and confectionary, however, moved up. Among other 'food articles' the prices of chillies, cummin, tea, betelnuts and salt increased while black pepper, turmeric and cardamoms receded; consequently the index for the sub-group advanced by 0.6 per cent to 195.1.

Liquor & Tobacco

Due to lower prices of tobacco raw the index for 'liquor and tobacco' declined by 1.3 per cent to 187.0.

Fuel, Power, Light and Lubricants

The index for 'Fuel, power, light and lubricants' worked out to 160.2 as against 160.0 for the preceding month. The prices of lubricating oil and castor oil moved up.

Industrial Raw Materials

Higher prices of cotton raw, jute raw, mesta, hemp raw and wool raw raised the index for 'fibres' by 2.2 per cent to to 163.9. The index for the sub-group 'Oilseeds' drifted lower by 1.0 per cent to 218.8 due to a fall in the prices of all the oil seeds except groundnuts and copra which moved up. The sub-group index for 'minerals' stood at 141.0 as against 140.9 for the previous month. A fall in the prices of hides raw, skins raw and lac brought down the index for 'other industrial raw materials' by 1.5 per cent to 165.7. The prices of Tanning materials and rubber, however, moved up.

Chemicals

The index for the group rose by 0.2 per cent to 193.0 as against 192.7 for

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March 1970 due to higher prices of soda ash and copper sulphate.

Machinery and Transport Equipment

The index for 'machinery and transport equipment' advanced by 1.7 per cent to 142.6 as against 140.2 for the earlier month due to a rise in the prices of electrical machinery as well as machinery other than electric.

Intermediate Products

The prices of leather, brass, copper, tin and linseed oil declined while those of cotton yarn, rayon yarn, coir yarn, zinc and lead moved up; the index for 'intermediate products' worked out to 174.3 as against 174.4 for the previous month.

Finished Products

The sub-group index for 'textiles' advanced by 0.2 per cent to 140.2 owing to a rise in the prices of cotton manufacturers (+1.1 per cent to 138.2), silk and rayon manufactures (+1.7 per cent to 116.5) and woollen manufactures (+0.6 per cent to 180.7). The prices of jute manufactures, however, came down by (—2.6 per cent to 152.3). The index for coir mats and matting remained stationary at its previous month's level of 165.8. The sub-group index for 'metal products' stood at 158.0 as against 157.8 for the earlier month. Higher prices of cement and bricks and tiles pushed up the index for 'non-metallic products' sub-group by 1.1 per cent to 136.7. The 'chemical products' sub-group advanced by 0.5 per cent to 141.3 owing to an increase in the prices of drugs and medicines, dyeing materials and insecticides. The prices of essential oil, however, moved down 'paper products' sub-group rose by 0.7 per cent to 121.3. The indices of 'oil cakes' and 'misc. products' sub-groups receded by 3.5 and 0.7 per cent to 203.5 and 119.7 respectively. The sub-group indices for 'leather products and rubber products' remained unchanged at their previous month's level of 92.1 and 157.5 respectively. On the whole the index for 'finished products' moved up by 0.1 per cent to 142.9 as against 142.7 for March 1970.

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

(Base: 1961-62=100)

Group and Sub-group	Monthly Average			Percentage increase (+) or decrease (—) in April, 1970 as compared to	
	April 1970	March 1970	April 1969	March 1970	April 1969
Food Articles	**199.4**	**199.3**	**126.6**	**+0.1**	**+6.9**
Food grains	208.5	213.7	192.1	—2.4	+8.5
Cereals	202.7	205.1	189.5	—1.2	+7.0
Pulses	234.9	252.6	204.2	—7.0	+15.0
Fruits and vegetables	202.6	186.1	177.1	+8.9	+14.4
Milk & milk products	208.9	200.4	202.8	+4.2	+3.0
Edible Oils	222.0	220.0	184.9	+0.9	+20.1
Fish, eggs and Meat	198.8	202.9	183.5	—2.0	+5.5
Sugar and allied products	152.8	155.5	185.2	—1.7	—17.5
Others	195.1	194.0	152.1	+0.6	+28.8
Liquor and Tobacco	**187.0**	**189.4**	**211.3**	**—1.3**	**—11.5**
Fuel, Power, Light & Lubricants	**160.2**	**160.0**	**152.9**	**—0.1**	**+4.8**
Industrial Raw Materials	187.4	187.6	170.6	—0.1	+9.8
Fibres	163.9	160.3	161.3	+2.2	+1.6
Oilseeds	218.8	221.0	183.1	—1.0	+19.5
Minerals	141.0	140.9	135.8	+0.1	+3.8
Others	165.7	168.3	165.4	—1.6	+0.2
Chemicals	**193.0**	**192.7**	**177.8**	**+0.2**	**+8.5**
Machinery and Transport Equipment	**142.6**	**140.2**	**133.2**	**+1.7**	**+7.1**
Electrical machinery	140.0	136.0	133.5	+2.9	+4.9
Non-electrical machinery	144.9	144.8	133.8	+2.1	+10.5
Transport equipment	135.4	135.5	131.8	—0.1	+2.7
Manufactures	**149.0**	**148.9**	**139.7**	**+.01**	**+6.7**
Intermediate products	**174.3**	**174.4**	**151.2**	**—0.1**	**+15.3**
Finished products	**142.0**	**142.7**	**136.9**	**+0.1**	**+4.4**
Textiles	140.8	140.5	135.6	+0.2	+3.8
Cotton manufactures	138.2	136.7	130.9	+1.1	+5.6
Jute manufactures	152.3	156.3	152.6	—2.6	—0.2
Silk & Rayon manufactures	116.5	114.6	117.5	+1.6	—0.9
Woollen Manufactures	180.7	179.6	168.9	+0.6	+7.0
Coir mats and matting	165.8	165.2	159.8	—	+3.8
Metal products	158.0	157.8	149.2	+0.1	+5.9
Non-metallic products	136.7	135.2	132.3	+1.1	+3.3
Chemical products	141.3	140.6	134.1	+0.5	+5.4
Leather products (Shoe)	92.1	92.1	93.0	—	—1.9
Rubber products	157.5	157.5	156.5	—	+0.6
Paper products	121.3	120.4	119.2	+0.7	+1.8
Oil cakes	203.5	210.8	175.0	—3.5	+16.3
Misc. products	119.7	120.5	119.8	—0.7	—0.1
All Commodities	175.9	175.7	165.1	+0.1	+6.6

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

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base : 1960=100)

	1968	1969			Jan. 1970
		Oct.	Nov.	Dec.	
General Index					
Seasonally adjusted	161.1	179.1	172.8	177.2	182.7
Crude	161.1	172.4	172.4	187.2	187.1
Mining and Quarrying	144.2	145.1	145.5	157.9	161.3
Manufacturing	156.3	166.5	165.6	181.6	181.1
Food manufacturing Industries	108.4	133.6	134.9	158.1	158.7
Sugar (refined)	84.5	20.1	124.1	294.3	337.7
Vanaspati	140.4	124.6	149.2	177.9	141.4
Tea	104.9	188.3	124.7	46.9	16.6
Coffee curing	114.4	25.1	50.8	35.2	169.6
Cigarette manufacturing	163.3	153.6	158.8	168.5	179.9
Manufacture of textiles	112.5	113.9	104.1	116.7	115.7
Cotton Textiles	111.7	118.2	104.7	118.6	119.1
Cotton Spinning	124.1	147.7	119.5	135.8	134.9
Weaving of cotton textiles	96.2	81.2	86.1	97.1	99.2
Woollen textiles	144.2	162.1	156.4	169.8	169.8
Jute textiles	96.4	81.0	88.3	96.0	95.0
Paper and paper products	185.0	197.5	209.2	210.6	208.3
Maunfacture of paper	186.8	196.1	208.3	207.4	204.6
Manufacture of paper board	187.2	216.9	226.6	242.0	238.6
Rubber products	202.1	177.2	211.4	220.5	205.6
Tyres and tubes	227.6	199.5	250.4	257.8	241.9
Chemicals and chemical products	197.4	229.1	228.8	240.2	273.5
Basic industrial chemicals (including fertilisers)	265.8	313.2	325.0	349.2	311.9
Heavy organic chemicals	241.8	276.3	323.5	263.1	303.4
Heavy inorganic chemicals	270.2	315.1	326.6	342.1	354.6
Synthetic resin and plastics	169.9	159.7	177.8	188.9	118.3
Synthetic fibres	230.4	238.4	250.2	262.8	258.5
Dyestuffs and dyes	181.1	206.2	165.9	221.2	193.1
Fertilisers	448.9	596.7	670.0	705.2	518.3
Paints, varnishes and lacquers	117.1	112.8	111.1	110.5	110.2
Fine chemicals	154.4	156.8	156.5	156.8	156.8
Petroleum refinery products	260.1	263.2	266.2	307.7	300.9
Non-metallic mineral products	154.8	187.0	187.6	200.4	183.9
Cement	152.3	187.1	186.4	196.3	173.4
Basic metal industries	193.7	211.8	207.7	226.6	226.9
Iron and steel basic industries	185.4	204.6	197.9	212.8	212.5
Non-ferrous basic metal industries	238.5	251.1	260.8	301.8	305.1
Aluminium manufacturing	400.5	414.0	435.4	509.7	516.5
Metal products	181.2	200.9	209.1	216.2	227.6
Machinery (except electrical)	327.6	323.5	340.9	386.9	345.4
Industrial machinery	149.6	125.9	106.3	118.8	125.4
Electrical machinery	277.5	328.4	322.5	391.2	451.6
Communication equipment	510.1	678.9	642.2	832.5	615.0
Motor vehicles	149.5	121.2	116.9	126.8	162.2
Motor cycles and scooters	220.1	247.3	525.4	531.3	667.8
Bicycles and tricycles	182.7	187.7	179.5	207.6	185.0
Electricity	266.6	316.5	310.5	329.6	329.6

Source : Central Statistical Organisation

RESERVE BANK OF INDIA

(Rs lakhs)

Friday	1969 June 27	1970 May 29	June 5	June 12	June 19	June 26
Issue Department						
Notes held in banking department	24,10	36,63	12,14	12,35	22,49	45,75
Notes in circulation	3,686,43	4,104,54	4,085,27	4,119,60	4,081,14	4,020,18
Total notes issued	3,710,53	4,051,17	4,097,41	4,131,95	4,103,64	4,065,94
Gold coin and bullion	182,53	182,53	182,53	182,53	182,53	182,53
Foreign securities	226,42	396,42	401,42	401,42	401,42	401,42
Rupee coin	64,39	54,70	50,93	50,47	52,15	54,45
Government of India rupee securities	3,237,19	3,417,52	3,462,53	3,497,53	3,467,53	3,427,54
Banking Department						
Deposits of central government	51.85	139,85	92,84	151,13	193,14	108,67
Deposits of state governments	12,27	4,93	6,69	3,73	3,92	6,73
Deposts of scheduled commercial banks	194,72	182,80	176,46	176,22	186,63	183,10
Deposits of scheduled state co-operative banks	19,03	8,06	9,72	10,02	9,59	10,75
Deposits of non-scheduled state co-operative banks	65	62	76	71	71	71
Deposits of other banks	34	30	20	20	31	26
Other deposits	230,97	104,22	100,02	97,84	97,89	94,70
Other liabilities*	572,72	624,83	618,00	607,76	615,86	634,21
Total liabilities or assets	1,082,56	1,065,61	1,004,70	1,047,63	1,108,04	1,039,12
Notes and coins	24,17	36,79	12,23	12,44	22,57	45,83
Balances held abroad	129,20	121,80	104,48	111,66	101,45	105,28
Loans and advances to—						
Central government	..	..	..	..	..	..
State governments	68,26	213,43	196,39	209,12	224,34	154,85
Loans and advances to scheduled commercial banks	172,22	276,94	283,48	285,28	306,78	291,54
Loans and advances to state co-operative banks	224,16	245,81	239,76	239,73	237,64	238,79
Other loans and advances†	8,30	11,59	11,57	15,51	16,57	13,96
Bills purchase and discounted	145,67	7,46	4,02	19,13	15,29	10,23
Investments	257,98	102,04	99,27	99,04	129,48	122,00
Other assets	52,61	49,74	53,48	55,71	53,93	56,64

NOTE:—The gold reserves of Issue Department are valued at Rs 53,58 per 10 grams upto January 31, 1969 and at Rs 84.39 per 10 grams thereafter.

*Including (i) paid-up capital of Rs 5 crores, (ii) reserve fund of Rs 80 crores upto January 31, 1969 and of Rs 150 crores thereafter, the increase representing mainly the profit on revaluation of the Bank's gold stocks, effected from February 1, 1969, in terms of the amendment to Section 33 (4) of the Reserve Bank of India Act, (iii) National Agricultural Credit, (Long term Operations) Fund of Rs 143 crores from July 5, 1968 and Rs 155 crores from July 1969, (iv) National Agricultural Credit (Stabilisation) Fund of Rs 33 crores from July 5, 1968 and Rs 35 crores from July 4, 1969 and (v) National Industrial Credit (Long-Term Operations) Fund of Rs 55 crores from July 5, 1968 and Rs 75 crores from July 4, 1969.

†Includes loans and advances to Industrial Development Bank of India from the National Industrial Credit (Long-term Operations Fund.)

SCHEDULED COMMERCIAL BANKS

(Rs lakhs)

	1969 June 27	1970 May 29	June 7	June 12	June 19	June 26
1. Demand liabilities						
(a) Demand deposits						
(i) From banks	139,99	124,80	126,94	128,53	128,77	130,81
(ii) From others	2,103,49	2,258,61	2,266,98	2,62,30	2,278,13	2,307,25
(b) Borrowing from banks	44,09	22,39	22,74	25,62	26,19	22,63
(c) Others	149,29	138,02	136,20	131,28	135,68	133,89
2. Time liabilities†						
(a) Time deposits						
(i) From banks	71,91	30,01	35,89	37,92	37,49	41,40
(ii) From others	2,542,33	2,874,41	2,899,37	2,917,12	2,929,74	2,932,50
(b) Borrowings from banks	7,69	6,36	6,59	6,31	6,04	5,83
(c) Others	26,79	30,48	30,91	31,40	30,65	29,87
3. Aggregate deposits (1) (a) (ii)+(2) (a) (ii)	4,645,82	5,133,02	5,166,35	5,179,42	5,207,87	5,239,75
4. Borrowings from Reserve Bank	172,22	265,65	272,45	274,32	296,64	289,06
(a) Against usance bills and /or promissory notes	115,20	92,07	101,99	93,55	136,31	131,77
(b) Others	57,02	173,58	170,46	180,77	160,33	157,29
5. Borrowings from State Bank and/or a notified Bank* and the state governments‡	60,69	62,34	58,62	62.16	59,50	61,08
6. Cash	204,17	150,55	151,23	149,69	151,95	164,36
7. Balances with Reserve Bank	176,09	178,27	187,50	177,27	181,01	176,35
8. Cash and balances with Reserve Bank	380,27	328,82	338,73	326,96	332,96	340,71
9. 8 as % of 3	8.19	6.41	6.56	6.31	6.39	6.50
10. Balances with other banks in current account	74,34	59,34	61,07	58,17	60,12	61,35
11. Money at call and short notice	88,05	36,78	32,58	46,73	47,16	49,34
12. Investments in government securities	1,126,31	1,182,77	1,183,64	1,186,40	11,87,25	1,187,59
13. 12 as % of 3	24.24	23.04	22.91	22.91	22.80	22.67
14. Advances						
(a) Loans, cash credits and overdrafts	2,918,81	3,415,05	3,431,40	3,468,54	3,447,78	3,472,09
(b) Due from banks	35,50	45,28	44,29	49,52	48,47	50,86
15. Inland bills purchased and discounted	512,10	528,37	543,00	547,30	584,44	582,66
16. Foreign bills purchased and discounted	167,87	188,98	186,44	181,84	175,28	172,89
17. Total bank credit (14) (a)+(15)+(16)	3,598,77	4,132,40	4,160,84	4,197,68	4,207,50	4,227,64
18. 17 as % of 3	77.46	80.51	80.54	81.05	80.79	80.68

Note:—The data on scheduled state co-operative banks are included from August 12, 1966. † Data do not include borrowings of any scheduled state co-operative bank from state government and any reserve fund deposit required to be maintained with such bank by any co-operative society within the area of operation of such bank. *Includes borrowings from the Industrial Development Bank of India from January 2, 1965 and borrowings from the Agricultural Refinance Corporation from April 1, 1966. ‡Borrowings from state governments relate to scheduled State Co-operative Banks only.

Source: Reserve Bank of India.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1961-62=100)

Week ended	1969 June 28	1970 May 30	June 6	June 13	June 20**	June 27**
Government and Semi-Government securities—						
All-India Total	99.0	99.3	99.3	99.3	99.3	99.3
Government of India	98.9	99.0	99.0	99.0	99.0	99.0
State Governments	99.6	100.5	100.5	100.5	100.5	100.5
Semi-Government institutions	99.1	101.1	101.1	101.2	101.2	101.3
Debentures-All-India Total	93.4	93.6	93.6	93.6	93.6	93.6
Preference Shares-All-India Total	88.5	88.1	88.0	88.0	88.0	88.1
Variable Dividend Industrial Securities All-India Total	99.3	96.3**	97.2**	97.9**	99.0	99.2
Agriculture and Allied Activities: Total*	91.7	87.0	87.0	86.7	87.1	87.4
Tea Plantations	76.9	68.0	67.9	67.5	67.4	67.0
Coffee Plantations	130.4	130.4	130.5	131.0	131.6	133.8
Rubber Plantations	151.0	153.5	152.7	153.5	153.6	153.4
Mining and Quarrying : Total	68.4	55.0	54.7	54.8	54.8	55.3
Coal	70.7	54.2	53.9	53.9	53.9	54.4
Other Mining	58.5	58.1	58.3	59.0	59.0	59.1
Processing and Manufacturing: Total	97.1	94.1	95.2	96.0	97.5	97.7
Processing and Mfg (Foodstuff Textiles etc) : Total	83.8	79.7	80.2	81.0	81.8	82.1
Edible and Vegetable Oils	180.5	196.9	200.2	204.7	207.6	208.0
Sugar	102.1	85.1	85.3	85.3	85.3	85.3
Cotton Textiles	70.9	68.6	69.0	69.8	70.4	70.2
Jute Textiles	53.3	43.4	42.4	41.9	41.7	41.1
Silk, Woollen and Nylon Textiles	118.8	113.1	113.9	115.1	116.9	117.5
Processing and Mfg (Metals, Chemicals etc): Total*	106.5	102.0	103.7	104.4	106.6	106.5
Iron and Steel	131.9	116.2	118.4	119.4	120.8	118.0
Non-ferrous Metals, Basic	139.3	129.5	133.4	133.5	135.8	135.6
Transport Equipment	91.6	77.2	77.4	77.0	78.4	79.3
Electrical Machinery, Appliances, etc.	107.8	117.1	120.4	122.9	129.7	129.2
Machinery other than Transport and Electrical	92.1	76.3	77.3	77.6	78.4	78.5
Foundries and Engineering Workshops	66.2	64.3	64.9	65.4	65.7	66.9
Metal Products	73.5	71.5	72.8	70.9	72.3	73.6
Basic Industrial Chemicals	101.9	108.5	110.7	112.4	114.7	115.6
Other Chemical Products	141.6	155.5	153.9	155.2	156.5	157.1
Processing and Mfg (Others): Total*	110.5	114.8	116.1	117.0	118.2	119.0
Cement	106.4	110.1	110.2	111.2	112.1	112.9
Paper and Paper Products	118.3	133.6	136.3	137.3	139.1	140.8
Rubber and Rubber Products	144.7	146.3	148.8	149.6	151.6	151.6
Other Industries : Total*	122.7	128.4	129.0	129.9	130.2	130.2
Electricity Generation & Supply	119.8	126.7	127.1	127.4	127.2	127.6
Trading	98.9	98.6	99.5	99.1	98.4	98.9
Shipping and Other Transport	253.0	290.0	291.4	298.3	302.6	300.9
Financial : Total	107.7	97.8**	97.2**	96.8**	96.3	96.5
Banks	99.0	84.6	84.5	84.5	84.5	84.5
Insurance	173.8	171.4	166.5	164.1	159.8	161.6
Investments	95.1	95.6	95.6	95.4	95.4	95.1
Variable Dividend Industrial Securities—Regional						
Bombay	112.8	108.5**	109.7**	110.5**	111.7	111.7
Calcutta	95.3	91.3**	92.5**	93.0**	94.4	95.0
Madras	86.2	85.1**	84.7**	84.5**	84.4	84.7
Ahmedabad	87.1	81.7	82.5	84.4	85.7	85.1
Delhi	117.9	116.5**	118.2**	118.3**	120.0	119.9

*Including 'Others' ** Provisional.

Source : Reserve Bank of India

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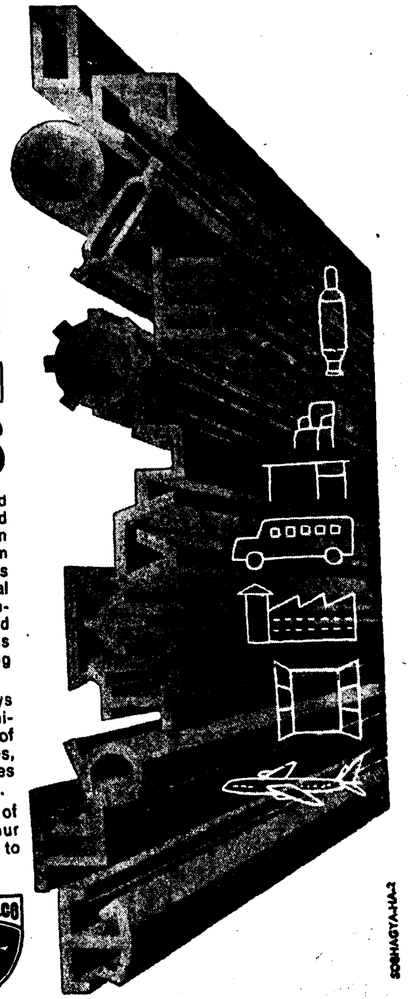

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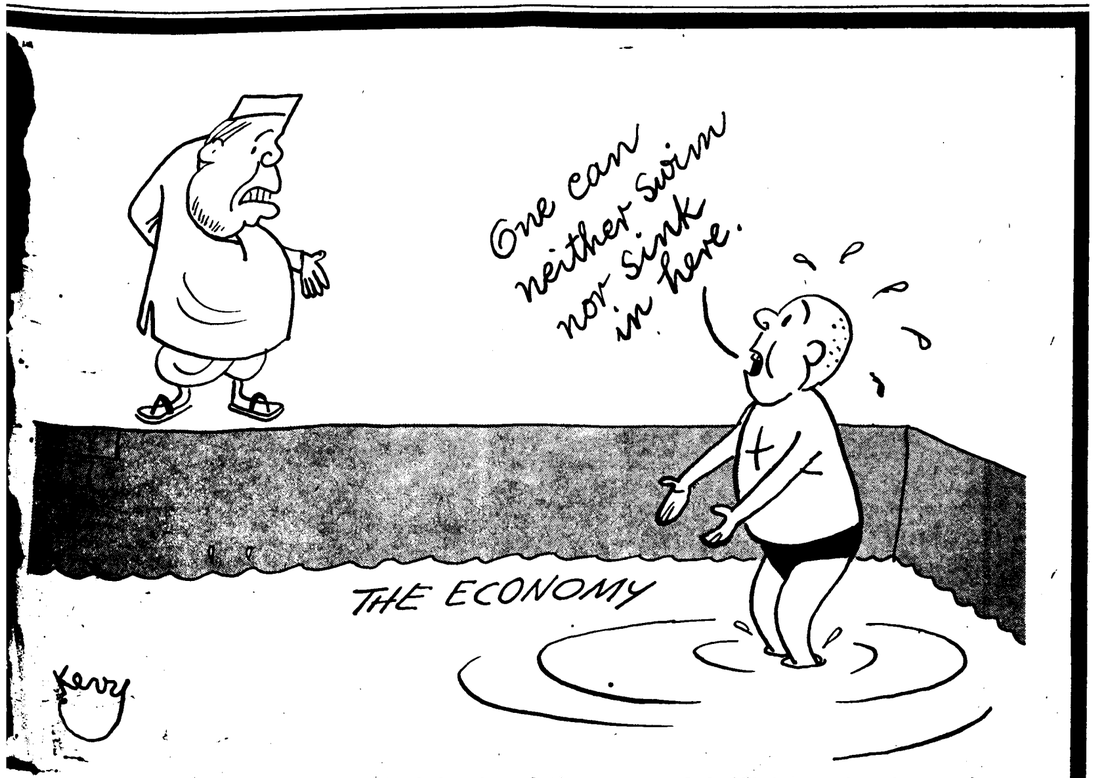
New Directions for Dinesh Singh

Financing Industry: G. L. Mehta

The Nuclear Debate: Dr A. Appadorai

Trade Union Recognition: Dr R. M. Goil



The union Finance Minister laid the foundation-stone of the Nehru swimming pool.

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JULY 24, 1970

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Parliament Street, New Delhi-1.

New Directions for Dinesh Singh

IN THE wake of the cabinet reshuffle, the Prime Minister displayed commendable initiative in taking some much-needed, but overdue promotional action in the industrial sector. Under her direction, the cabinet signified its general acceptance of the Tata scheme for a fertilizer plant at Mithapur. It also blessed certain other projects or proposals of substantial significance for the development of the "core' industries.

This refreshingly positive attitude, however, has been qualified to some extent by the fact that, in the case of some of these projects including the Mithapur scheme, the final clearance will have to await scrutiny by the Department of Company Affairs in the light of the provisions of the Monopolies and Restrictive Trade Practices Act. It is surely more than a little absurd that a decision taken by the highest policy-making body in the government should have thus been declared to be subject to further investigation by a department (under a Minister of State) which is clearly a subordinate body of the cabinet. Apart from the disagreeable delay introduced into the decision-making process by the procedure adopted here, this manner of doing things is hardly likely to help the cause of the rational functioning of the administration along clear and clean lines of responsibility.

There is also another reason for our entertaining reservations regarding the government's intentions in the industrial sphere. Owing to certain widely publicised developments relating to the cabinet reshuffle, the Ministry for Industrial Development seems to have been downgraded in status. Its functions, in any case, have been greatly restricted. Hitherto, from the point of view of both policy and administration, the regulation of industries has been treated, at least in theory, as an aspect of the development of industries. Now, under the new arrangement whereby the Department of Company Affairs has been made the independent charge of an autonomous Minister of State (who is no longer under the jurisdiction of the Minister of Industrial Development) this desirable link between development and regulation seems to have been disturbed and much more than a mere hint is thrown that regulation may be pursued more as an end in itself — perhaps even as a political end — than as a means to the healthy development of industries. The Prime Minister, moreover, is reported to have expressed a desire to take away industrial licensing from the effective jursidiction of the Industrial Development Ministry and entrust it to a committeeof the cabinet. These moves, it must be noted, have coincided with a certain loss of political and personal position by the new Minister for Industrial Development, Mr Dinesh Singh.

All this is most unfortunate. The Ministry of Industrial Development, it could have been reasonably expected, would be strengthened rather than weakened as an agency of industrial development following the cabinet reshuffle. As it is, we are faced with a ministry which is enfeebled in many ways and has suffered a grievous demotion in status and authority and therefore in effectiveness. This has happened at a time when this ministry needs to function in a self-confident manner so that it could provide dynamic leadership to the processes of industrial expansion particularly in the private sector. In the circumstances the position of the new Minister for Industrial Development must be far from enviable.

Mr Dinesh Singh's, indeed, is an uphill task. Hard on the heels of his recent political misfortunes, he is being called upon to perform the job of making bricks without enough straw. The outlook for him, however, is not without its compensations. Perhaps his current discomfiture itself could act as a spur to him to prove himself in spite of the difficult conditions in which he has been placed. It is also very much in his favour that there is an undoubted element of dynamism in his temperament and he is of course still sufficiently young not to surrender his legitimate political ambitions without a struggle to assert his ministerial worth.

It follows that the nation may watch Mr Dinesh Singh's performance in the coming months with some keenness of interest. Fortunately for him, there is a trend towards a revival in industrial activity. Demand has been picking up for a number of manufactures and this movement is bound to gather momentum as the growth in agricultural production tends to be kept up. In quite a few industries, notably tea, jute goods and cotton textiles, there have come up problems of export promotion which could exercise and engage profitably the energies of his ministry and its capacity for constructive collaboration with the Finance Ministry and the

Ministry of International Trade. Again, there is mounting evidence that, on the African continent, in south-east Asia and countries such as Australia there will be honourable and rewarding scope for the deployment of the industrial know-how and the entrepreneurial experience and skills of our business community.

All this should certainly be an encouragement to Mr Dinesh Singh and his ministry to function with hope and vigour. It is only to the extent that he is able to provide the leadership that will be required for this purpose that his ministry can hope to recover its position and prestige both of which have been so obviously damaged in the process of the cabinet reshuffle. The national mood has become acutely sensitive to the issues of production and employment. By cutting out routine and red tape and reorienting itself to purposeful industrial promotion, the Ministry for Industrial Development can impress itself on the public mind as an institution which is tuned to the demands of the times. It is up to Mr Dinesh Singh not to let himself become a square peg in a round hole. The country will watch with sympathy and good wishes his efforts to suit his shape to his situation.

Red Tape in Tea

WHEN THE Public Accounts Committee (1969-70) of the Lok Sabha, in the course of its examination of the accounts of the Tea Board, asked the Additional Secretary of the Ministry of Foreign Trade whether the Board had been handicapped by lack of funds in implementing the schemes of financial assistance, he replied that it was not. But this reply did not mean that the tea companies promptly and adequately got their requirements of finance from the Tea Board. The fact was that though the Board was entrusted with plenty of money for being disbursed to the tea companies for replanting, replacement or extension of old areas, most of it was withheld for one reason or the other. The Public Accounts Committee, in its report released in April this year, has criticised the Tea Board for its tardiness in executing the schemes for financial assistance.

The data furnished by the committee reveal a wide gap between the allotment of funds and their disbursement, which shows how the Tea Board has been indifferent in assisting the tea industry in increasing its production and improving its competitive capacity. Table I shows the allotment of funds made from year to year for the tea plantation finance scheme and their distribution.

The Public Accounts Committee has made the following comments on the Tea Board's performance: "The screening of applications received from tea estates for loans under the scheme has been taking a long time. The data furnished to the committee shows that 47 applications for loans amounting to Rs 2.18 crores were pending as on March 31, 1969. Thirty-nine of the applications were pending for over three months and the remaining eight for over six months. The delay in clearing these applications has resulted in a substantial part of the annual allotment made for the scheme remaining unutilised every year since 1962-63 when the scheme was started. As a corollary, there has also been a shortfall in the realisation of the targets set for the scheme. Over the three years ending 1968-69, for instance, tea gardens could do fresh planting only on 2,221 acres as against 3,227 acres that should have been covered under the scheme".

While, on the one hand, red tape was holding up funds urgently needed by the tea gardens, on the other hand, money sanctioned by the Tea Board to state governments was unutilised and not returned. The Board had paid Rs 5.60 lakhs to the Madras State Industrial Bank in June 1965 for disbursement to small growers of tea for buying pesticides. But the amount was completely unutilised, which shows that the requirements of co-operative tea societies were not correctly assessed before releasing the money to the bank for loaning to them. And what is even more disturbing is that the Board did not insist on the prompt return of the unused money. It took nearly nine months for the Board to recover it. The Public Accounts Committee has also revealed that the state governments of West Bengal, Kerala, Tamil Nadu, Andhra Pradesh Uttar Pradesh, Punjab and Tripura retained with them for ten years a sum of Rs 70,000, being the unspent balances out of the welfare grants paid to them by the Tea Board for being used to improve the amenities of tea labour.

TABLE I

(Rs lakhs)

Year	Allotment	Disbursement
1962-63	40.00	16.45
1963-64	79.06	49.92
1964-65	100.00	62.71
1965-66	100.00	63.97
1966-67	62.67	61.74
1967-68	89.86	63.46
1968-69	88.65	60.14

These are just a few of the disclosures made by the Public Accounts Committee regarding the handling of money by the Tea Board. The committee has been very mild in its comments on the lapses of the Board. But considering that the Board has been entrusted with the responsibility of looking after the problems of a major industry, which is also one of the largest earners of foreign exchange, one wonders whether the committee should not have been more forthright in its criticism.

It is not only in the handling of funds that the Tea Board has not shown adequate care. Even in other matters like market studies where one would expect the Tea Board to show initiative and enthusiasm, it has let down the industry and the country. Consider, for instance, the following paragraph:

"The committee are in this context surprised to learn that the Tea Board has not carried out any market surveys. A proposal in this regard is now stated to be under consideration. The committee would like an early decision to be taken thereon. The committee need hardly add that such market surveys should be conducted by competent and experienced personnel and should be undertaken in association with trade, which would have a stake in its results".

In view of the Tea Board's indifference, it is hardly surprising that our tea has suffered a set-back in many markets. According to figures given by the Public Accounts Committee, our tea export to the UK fell from 127,356 tonnes in 1959 to 95,955 tonnes in 1968, to the USA from 10,556 tonnes to 8,339 tonnes, to Canada from 7,233 tonnes to 4,201 tonnes and to the UAR from 11,931 tonnes to 8,745 tonnes. It is true that many factors, over which the Tea Board has no control, are responsible for the decline in our tea exports to these countries. Even so, if the Board had maintained eternal vigilance over the market trends and effectively utilised the funds at its disposal, the outlook for our tea exports would have been much brighter than what it is at present.

Messrs J. Thomas & Company in their annual report for the season 1969-70 have indicated better prospects for the tea industry in the months ahead. They say, "The tea industry has turned the corner and there are grounds for quiet optimism. The world supply position is at the present time reasonably balanced and international agreement should ensure that this balance is maintained in the future. There is every reason to believe that the general price level during the coming season will rise and remain satisfactory. India's exports should improve, particularly in view of the export-oriented budget. Shipments to London auctions are likely to be higher but it is to be hoped that these shipments will not be overdone and create a surplus stock in London as has been the case for the past two years."

But the tea industry can improve and prosper only if the Tea Board functions energetically and takes a lively interest in its responsibilities.

Just a Beginning

THE RECENT study made by the Directorate-General of Technical Development (DGTD) relating to the progress made by import substitution in our economy has shown positive achievement. Taking 1968-69 as base, the DGTD has analysed the operations of 112 industries and has come to the conclusion that the value of their production in 1969 increased by 13.3 per cent over 1968 but the foreign exchange needs were reduced by about four per cent. Also, there are many industries for which sizeable foreign exchange was needed until a few years ago but today they are wholly dependent on indigenous products. This has been made possible by the careful scrutiny of our import bill in an effort to locate areas where domestic raw materials and components can take the place of imported ones. Vast expansion in the manufacture of aluminium, for example, has saved valuable foreign exchange not only in industries where this metal is commonly used but also in those where it is being substituted for copper. In the electronics industry also, increase in the production of components has cut down the import bill substantially. And the list of such industries is a long one.

But what has been achieved is only a beginning. This is not the time when we should rest on our laurels. There is need for a relentless pursuit of the objective of self-sufficiency even though it is known that in absolute terms, the volume of imports is likely to increase in response to rising production. Increased attention needs to be paid to research and development and close liaison should be established between industry and research laboratories. The industries which have had successful operations should set up their own research institutions by diverting a part of their profit for this purpose. Let us remember that the rather speedy industrial progress made by such countries as Japan and West Germany had much to do with the research efforts of the industrial units there. The tightening of the import substitution programme is an imperative because considerable confusion as well as resentment is caused if we continue to import goods which are manufactured in this country.

Some pertinent observations were made by the participants at the meeting of the Import Substitution Committee held recently in the capital. Mr T. Swaminathan, Secretary of the Ministry of Industrial Development, stressed the importance of increase in production since a major part of it would be used within the country even though the volume of exports would have to be increased to meet the rising pressure of debt service obligations. Mr Charat Ram, representing the FICCI, gave more importance to import substitution than export promotion because the sale of goods produced did not depend upon the whims of the foreign buyers. It was Mr Aschijit Sen of the ACCI who indicated the areas where more concerted effort was needed in order to save foreign exchange through import substitution. He said that in the case of textiles, paper and pulp the import content had remained unchanged all these years and hence attention needed to be paid to these industries as well. He also referred to the performance of the steel plants which, despite massive investment, had not made this country self-sufficient in steel.

But it would be an error to make a fettish of import substitution. It is not proper that we should aim at self-sufficiency in all industries. First, it is an impossible target and second, it will bring in incongruities which will hamper our industrial progress. The aim of increased import substitution should be pursued with an eye on efficiency. If marginal import of goods or equipment keeps a product more marketable, no effort should be made to cut out imports for the mere satisfaction of having attained 100 per cent self-sufficiency. Such as attitude can cause more harm than good in the long run.

UTI Makes Good

THE UNIT Trust of India (UTI) has entered its seventh year on a distinctly confident note and, if the results of working in 1970-71 are better than in 1969-70, Mr R.S. Bhatt, the UTI chairman, hopes, it should make a debut into the ranks of the leading unit trusts of the world. Already, at the end of June, 1970, there were over 3.33 lakh registered unit-holders with a total holding of Rs 77.44 crores, and it is not too ambitious a bid if the UTI strives to cross the Rs 100-crore (or Rs 1,000-million) mark in respect of total holdings by the end of June, 1971.. A thousand million units is about the average size of holdings of well-known international unit trusts.

During the year 1969-70, the UTI received over 61,000 fresh applications and sold units worth Rs 22.45 crores, a record that exceeded even the first year's high sales of a little less than Rs 18 crores. In 1968-69, the number of fresh applications and units sold were 50,000 and Rs 17.16 crores. Thanks to the initiative of the UTI in sending out some 10,000 personalised circular letters to Indian residents in the USA, units worth Rs 49.54 lakhs were sold to over 600 applicants. As a result, India earned foreign exchange worth over Rs 7 lakhs. The corresponding figure of units sold to non-residents in 1968-69 was only Rs 17.48 lakhs. The total number of applications for repurchase continued to rise, being 9,455, as against 8,205 in the previous year, involving Rs 2.04 crores, as against Rs 1.67 crores in 1968-69.

An encouraging feature of the UTI's working is that its re-investment plan has been catching up. By the end of June, 1970, over 12,000 unit-holders had joined the plan. This is still less than four per cent of the total number of unit-holders and, as we stated last year in these columns, it is only if the existing unit-holders are encouraged to invest more of their funds in this form that the volume of business can be increased appreciably. With the steady increase in distribution of its dividend (for 1969-70, the dividend has been further stepped up, albeit only fractionally from 7.1 per cent to 7.2

per cent) more unit-holders may feel encouraged to patronise the re-investment plan.

The gross income of the UTI in 1969-70 rose further, from Rs 4.83 crores in the previous year to Rs 6.28 crores. This, by the way, is without taking into account the distribution of dividend or compensation from banking companies. According to Mr Bhatt the UTI's investments in these companies is of the order of Rs 3.25 crores while the expected compensation amount is about Rs 6.25 crores. Be that as it may, after making the usual adjustments, the income available for distribution to unit-holders as on June 30, 1970, was Rs 5.61 crores, which, even after distribution of the higher dividend of 72 paise per unit, leaves a sizable undistributed surplus. In other words, even the higher dividend of 72 paise for 1969-70 was fully earned. The gross yield works out to a higher figure still, depending on the income slab of the concerned unit-holders, inasmuch as dividend income (taken together with income from certain other specified categories of investment) up to Rs 3,000, is exempt from income-tax. It is still too early to judge the effect of this clubbing together of income from several categories of investment, (welcome though it is, in that it offers a wide choice to investors who may naturally not like to put all the eggs in the same basket) although the exemption limit has been raised from Rs 1,000 to Rs 3,000, on the income from investment in units.

This year, again (that is, in respect of 1970-71), there has been an increase in the sale price of units (from Rs 10.20 to Rs 10.50) during the special offer period (July), but this was to be expected owing to the substantial improvement in stock prices, especially, since January last and the consequent increase in net asset value. Mr Bhatt contends that even this higher price of Rs 10.50 per unit includes an element of concession. Further, as he says, there has been some capital appreciation, which is reflected in the repurchase price of units, though some would want this repurchase price to go up further if investment in units is to be really attractive.

The UTI has come out with a new scheme — the Children's Gift Plan — to promote savings, as it says, among the various sections of the community. Anyone — father, mother, grandmother, aunt or uncle — can participate in it and invest in units (the minimum is 50 units) the proceeds whereof would be repayable only to the child, for whose benefit the units are bought, on its attaining majority. Meanwhile, whatever dividends the units in the name of the child earns also would be reinvested, so that, over a period of, say, 10-15 years, the beneficiary would stand to receive twice the amount originally invested in these units, if not more. This is surely an attractive facility for building up capital for the benefit of the young and should prove useful either for further education or for marriage or for serving as a nucleus to start a small-scale industry if one is so inclined.

It is gratifying to note that the steady increase in the UTI's agency force has been maintained, both in rural and urban areas, but one would have liked a break-up to know the precise extent of the rise in the agency force in rural areas. As readers may recall, we have been stressing the need for considerably expanding the organisation for popularising unit sales in these areas which abound in new savings, thanks to the hat-trick of rich harvests.

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Financing Industry

G. L. MEHTA

Inaugural address delivered on the occasion of the Foundation Day of the Gujarat State Financial Corporation at Ahmedabad on June 29.

I AM grateful to the Gujarat State Financial Corporation for the honour they have done me in inviting me on its Foundation Day to inaugurate a course of lectures on management problems. The corporation with which I have been associated for the past twelve years, the Industrial Credit and Investment Corporation of India Ltd (ICICI) has had very cordial relations with the Gujarat State Financial Corporation and we have worked in close co-operation on many projects. The Gujarat State Financial Corporation is one of the best run state financial institutions in the country as would, no doubt, be expected in an organisation managed by people known for their business acumen and common sense. On this Foundation Day, I should like to express our sincere felicitations to the corporation and our best wishes for its continued and healthy growth.

While India has had a long banking tradition — this city itself where we are meeting today was the home of indigenous bankers called *nagar seths* who were famous for their banking acumen —industrial financing is a new phenomenon which assumed importance as modern industry began to be established; now that the pace of industrialisation has become more rapid, the role of institutional finance has become more important.

The Ahmedabadi Pattern

Modern industry came to Ahmedabad at about the same time as to India— the first textile mill in Ahmedabad was set up by Ranchhodlal Chhotalal soon after the three textile mills — two in Bombay and one in Broach — were set up in 1854. In those days, fortunately or unfortunately, there were no public financial institutions and entrepreneurs had to raise money from private sources which, thanks to the absence of income-tax, was possible then. Significantly, even at this early stage a financing pattern was set up for industries, which became generalised and continued for quite a long time. This pattern consisted in the setting up of a financing group with a nominal share capital but with an obligation to bring in large proportionate deposits needed to finance the manufacturing enterprise. This "Ahmedabadi" pattern of financing industry, if I may so call it irreverently, continued for a long time, and the principle involved of treating manufacturing companies or their promoters as banks for depositing money, is prevalent even today.

One may not consider it the best form of financing industry or the one most suited to its needs. The financing system was essentially based on trust and confidence; technically the money was callable (the deposits were withdrawable) any time on demand; and there was always a risk, in times of financial panic even though the manufacturing enterprise remained in a sound position, for a demand for the return of deposits —thus endangering the financial position of the manufacturing unit. However, the system provided the only means of financing industry in the circumstances prevailing in the mid-nineteenth century, and proved an important instrument for the early efforts at industrialisation.

Many Changes

Many changes have taken place in industrial financing pattern since then. In the inter-war period, a rudimentary capital market began to grow up, investors began to become familiar with various kinds of corporate securities and financial instruments, and investment in shares began to pick up. Thus on its own, gradually a capital market began to be built up.

However, it cannot be denied that the market had a narrow basis. In a poor country like ours, the generation of savings was not such as to form the basis of a large capital market. Moreover, it was mainly the established houses which were able to raise freely money on the market. Also, with the low tempo of industrial development, the demand for funds was not large. In other words, the demand for, and the supply of industrial funds was small and confined to a narrow group of entrepreneurs and promoters. In addition, the traditional forms of financing industry continued.

National leaders were always conscious of the need to promote industrialisation and the role of finance in such promotion. Consequently, soon after Independence, the Industrial Finance Corporation was set up. When we began to formulate the first Plan —a process in which I had the honour to participate as a member of the Planning Commission — we recognised the need to broaden the sources of finance so that industry can get the required funds for the more rapid growth envisaged for it. Thus the state finance corporations came to be set up in and after 1951; the Industrial Credit and Investment Corporation of India Ltd. (ICICI as it is popularly known) — of which I have the honour to be chairman since 1958 — was set up in 1955, and the Industrial Development Bank of India (IDBI) and the Unit Trust of India (UTI) were formed in 1964. Besides, in recent years, several state governments have taken an initiative in setting up state industrial development corporations (SIDCs).

Parkinson Comes True

There has thus been a Parkinsonian proliferation of finance institutions in India, and I am sure that no project which is worthwhile and viable suffers today for lack of finance. The institutional set-up has been helpful in financing the rather rapid growth of industry that has taken place in India, particularly since 1956.

It is necessary to recognise that this marks not only a quantitative change in respect of provision of finance to industry in relation to the inter-war period, but also a qualitative change. And it is important to recognise this fact in an evaluation of the industrial financing system in India. In the first place, quantitatively, the flow of funds from the institutions to industry has broadened considerably. Possibly, at present, the total funds which are made available by finance institutions to industry in the private sector exceed Rs 100 crores per annum. This is larger than what private industry could have raised in the pre-war years.

What is more, these funds are now made available to a much broader group of entrepreneurs and industries than during the inter-war period. While in the past, only an established entrepreneur could hope to approach the market for funds, now new people can hope to raise the required funds provided they have viable projects to offer. In other words, the field of opportunity for setting up industry has become broader as a result of the institutional arrangements for providing funds to industry. Speaking for ICICI only, I might mention that ICICI has financed so far 87 new entrepreneurs and 46 new products and processes.

Then, again there has been considerable change in project preparation as a result of the setting up of finance

institutions. Previously, when the sources of finance were limited, a project could obtain the finance needed by it on broad confidence in its profitability. This led to a kind of indiscriminate flow of projects : if a cotton textile mill was successful, as happened in the 1850's and 1860's, promoters rushed in to set up, and investors came in to finance, cotton textile mills; and, if a cement or a sugar factory was found to be profitable, as it was in the 1930's every promoter rushed in to set up and provide finance for sugar and cement factories. Nevertheless, fortunately there was not the same enthusiasm to set up iron and steel plants then— — such enthusiasm is generally reserved for our politicians and planners.

Calculated Affair

With the establishment of several finance institutions, the formulation of projects has become a more calculated affair — though I am sorry this deflates both your and my ego — not necessarily a more successful affair. A finance institution builds up expert staff to analyse and appraise a project, and before it agrees to finance a project, it has to be satisfied that the project is viable. Such scrutiny requires of the promoter some home-work before he can expect to obtain finance for his project. This is desirable and necessary. For example, it requires the promoter to give due consideration to all aspects which affect the viability of a project, and not be guided by a temporary spurt in the profitability of an industry. Also, it ensures an independent scrutiny by a finance institution of a project. Such a scrutiny usually generates a new viewpoint, throws some new light on a project. There are very few cases where ICICI has accepted a project as presented; modifications have had to be made to improve the viability of the project.

There are various areas of project analysis which are the particular concern of a financing institution. The first essential is a market for the product to be manufactured. If you look at the portfolio of any finance institution (including, let me say ICICI) and find out its weak projects, most of them have problems in marketing. One would have thought that with planning a long view of demand would be taken. As things have turned out, I am afraid too long a view was taken. Many entrepreneurs who based their calculations on estimates of demand made by the Planning Commission have found that, for various reasons, demand did not come up to the levels anticipated by them: wire ropes, steel tubes, electric meters and cables, machine tools and many engineering goods are examples of this phenomenon. It is for this reason that I would suggest that a close, independent and objective scrutiny is made of demand projections by finance institutions.

Secondly, cost estimates. A promoter often tends to under-estimate project cost. Sometimes he follows the age-old edict of stitching his project-coat according to the limited cloth-resources available to him; he under-estimates the cost because his resources are limited. Sometimes he misses out various cost items — particularly intangibles like preliminary and pre-operative expenses—or under-estimates hazards to which all projects are subject — escalations in cost, delays leading to over-runs, unforeseen events like technical or market difficulties, all of which are contingencies which need to be provided against.

Thirdly, the financing scheme of a project. Here again a promoter often tends to take a narrow view, hoping to make-do with a small equity base. On the other hand, excessive reliance on borrowing not only increases the cost of interest in the construction stage but reduces the capacity of a company to raise further funds when needed to meet over-runs and other contingencies.

One of the byproducts of such effort to improve the equity/debt position of a company is to increase the flow of company securities on the market. As more capital is required, a larger quantity is also placed on the capital market. Moreover, finance institutions do not hold on to securities acquired as a result of their underwriting activities; in order to revolve their funds, they endeavour to sell them when the demand for them appears. Thus finance institutions help to broaden the capital market.

In all these respects, the role of financial institutions has become crucial to the efficient implementation of our industrialisation drive. The five-year Plans lay down the broad policy of industrialisation. They provide for a broadening of our industrial base by encouraging new industries and new entrepreneurs. It is in this uncharted sea that the financial institutions are expected a navigate. Project appraisal is itself becoming systematic and organised and considerable sophistication has been introduced in techniques of project appraisal. Returns on investment are measured on different bases.

In recent years, appraisal techniques have been applied not only to industrial projects but also to non-industrial projects including infrastructure projects. For example, cost-benefit analysis is applied to road construction programmes.

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The Nuclear Debate

DR A. APPADORAI

THE PRIME Minister made a pronouncement, during her recent visit to Mauritius in the first week of June that India did not intend to make the atom bomb. She was indeed repeating what she had said at Ahmedabad, four months earlier on January 24, when she told a news conference that there had been no change in India's policy to use atomic energy for peaceful purposes, such as medicine, power generation and other fields. When her attention was drawn to a report that the union government had agreed to study the cost of manufacturing nuclear weapons, the Prime Minister, who has been in charge of atomic energy, said she was not aware of it.

Such pronouncements and denials are unlikely to stop the nuclear debate that has been carried on in the country — in Parliament, in newspapers and learned periodicals — ever since it was known that China had become a nuclear power. Indeed, one day after the Prime Minister returned to Delhi (June 8), the *Indian Express* published the opinions of two former defence secretaries and four retired generals on the question of India building up a nuclear capability for defence against external threats. It is significant that several of them favoured India going nuclear.

What is the essence of this debate?

The crux of the problem, I suggest, is the idea that the Government of India has cultivated a belief for some months that China is unlikely to launch a nuclear attack on India and, therefore, it is unnecessary for us to spend crores of rupees in building up a nuclear capability. Since the government has not taken the country into confidence on the basis of this belief, public opinion will continue to be worried with the question of security of the nation. It is interesting that 73 per cent of the public opinion poll taken on the subject supports India going nuclear.[1] I have reason to think from my own observations that the trend indicated by the public opinion poll is right, and it is unlikely to be of the same character as the "success" polls for Wilson.

The question whether China is likely to launch a nuclear attack on India may be discussed, I suggest, under two heads: Political and Military.

(i) Political: Has China any expansionist ambitions? Students of Chinese history know that from time immemorial, the Chinese considered China the centre of the world and the peoples living around it barbarians worthy only of being China's vassals. It is significant that praises of the achievements of China's empire builders have been a regular feature of the Chinese press; even as late as 1961, Prof. Lin Ta-nien eulogised Manchu Emperor Kanghsi for having built an empire "stretching to the Pacific in the east, the South Sea Islands in the south, the Himalayas in the west and Siberia in the north". In *The Chinese Revolutionaries and the Communist Party of China (1939)* Mao wrote that the seizure by the imperialists of "many states situated round China" and enjoying "China's protection" was a tragic loss for China. The "Chinese territories taken away by imperialism" are specified in a map in the *Concise History of Modern China* (1954) as the Mongolian People's Republic, Korea, Vietnam, Laos, Cambodia, Burma, Malaya, Thailand, *part of India*, the Kyu Kyu Islands and the Philippine archipelago of Sulu.

Danger for India

We know to our cost the invasion of 1962 and the present stalemate, and that the Colombo Proposals have not yet been accepted by China. Chinese agents are busy in Nagaland, Sikkim, Bhutan and Nepal. *The New Times*[2] has written that, "following a policy of setting one nation against another, the Maoists rejoiced over the Indo-Pakistani conflict, fulminated against the Tashkent declaration and are now doing everything possible to hinder normalization of Indo-Pakistani relations." The expansionist policy of China is clearly fraught with great danger to India's security.

(ii) Military: That China's nuclear development will be of the super-power status by 1980 is now admitted by experts. Already the Institute for Strategic Studies, London, has estimated that China's stocks of fissile material might be sufficient for about 100 atomic bombs of 20 KT yield each or "a smaller amalgam of both hydrogen and atomic varieties." The Indian Institute for Defence Studies and Analysis has in a recent paper cited a report to the effect that "as for the Chinese ICBM programme, the report says that with the experience already acquired with IRBM, there is no reason to believe that the Chinese cannot in time develop and deploy an ICBM." Will she use her nuclear weapons? The only relevant answer is the well-known one given by President Truman with reference to the USA, in his clarifying statement after his press conference on November 30, 1950 (after the United Nations forces crossed the 38th Parallel and Chinese

volunteers joined the forces of North Korea) "*consideration of the use of any weapon is always implicit in the very possession of that weapon.*" It is true that after Hiroshima and Nagasaki in 1945, the atom bomb has not been used; but its use has been threatened; the most well-known of such threats was in the Cuba affair (October 1962) with consequences all of us know. It is true also that the primary value of the possession of nuclear weapons has been in its deterrence and its political "blackmail value"; but none can say that they will never be used. Here is an extract from a speech by a Chinese leader P'eng on August 22, 1956;

> America possesses atomic weapons and is threatening us with them. But we are not afraid of atomic warfare. Why? Because China has 600 million people. Even if 200 million people were killed by atomic weapons, 400 million people would still survive. Even if 400 million people were killed 200 million would still survive. Even if 200 million survived, China would still contitute a big country of the world. Furthermore, these 200 million people will absolutely not surrender. Therefore, at the end America will lose the war.[3]

This analysis takes us to the position that (i) the possession of nuclear weapons has an invaluable political value, and (ii) the danger of a nuclear attack, in the absence of a retaliatory possibility, cannot be entirely ruled out.

What then is India to do?

Basic Facts

There are certain facts which have to be stated, before we pass on further.

(i) India has kept the option to make nuclear weapons by not signing the Non-Proliferation Treaty; this is a correct decision.

(ii) India has repeatedly proclaimed that she will not make the 'atom bomb' — quite an unnecessary exercise. For the question may be asked how many countries believe this? A recent article in the *Bulletin of the Atomic Scientists* (January 1970) is significantly headed "India Contemplates the Bomb."

(iii) Pakistan and Peking China too have not signed the treaty. The effect of this is that China is not bound to respect the provision in the NPT asking nuclear powers not to transfer nuclear weapons to non-nuclear weapon nations. Pakistan is closely allied to China; and a collusion between them is quite on the cards, because both are unfriendly to India.

This assumes that Pakistan will not herself go in for manufacture of nuclear weapons. It is known that Pakistan has high-grade ores available within the state; whether in her wisdom she will decide to manufacture nuclear weapons is not known.

For myself I am inclined to think, as a student of international relations, that since the world respects strength, it will be advisable for India to go in for nuclear weapons.

The objections raised against India going nuclear are not, in my view, serious: for the basic question is, if the possession of nuclear weapons is necessary for survival, other considertions will take second precedence. I have seen three objections raised; economic, moral and political.

(i) According to the report of a UN Expert Committee, the cost of a modest nuclear capacity; represented by a force of from 30 to 50 jet bomber-aircraft together with 50 medium range missiles of the 3,000 km. range in soft emplacements and 100 plutonium warheads acquired and deployed over 10 years would be at least Rs 1,275 crores averaging Rs 127.5 crores annually.

Western Estimates Questioned

The report said that the cost of a small, high-quality nuclear force represented by a force of from 10 to 15 bombers during the first stage and extended during the second stage to include from 20 to 30 thermo-nuclear weapons, 100 intermediate range missiles and two missiles launching nuclear submarines would amount to Rs 4,200 crores, averaging Rs 420 crores a year. Experts in India have questioned the validity of western estimates for the manufacture of nuclear weapons. They argue, for instance, that the cost would be much less in India where nuclear technology had reached a certain point of development; if it had its own plutonium stockpile as a by-product of its reactors, the cost for making tactical nuclear weapons would be much less. True, our current agreement with Canada makes it impossible to use the existing plutonium stockpile for making nuclear weapons; but as the *Bulletin of the Atomic Scientists*,[4] already cited, points out, India has decided to construct its fourth large reactor at Kalpakkam in Madras without commitments to any foreign state or agency, and "India can already produce a large percentage of the components for the Kalpakkam reactor and Kalpakkam in turn, could produce a significant quantity of plutonium, perhaps enough for 40 bombs a year." Indian experts also cite the late Bhabha's broadcast of Octobr 24, 1964; "A stockpile of some 50 atomic bombs would cost under Rs 10 crores and a stockpile of 50 two megaton hydrogen bombs something of the order of Rs 15 crores.

Small Expenditures

These expenditures are small compared with the military budgets of many countries. We may, therefore, well have to reckon with a number of countries possessing nuclear weapons within the next five or 10 years, unless some important and tangible steps are taken towards disarmament." Besides, Dr Sarabhai announced in January this year the discovery of rich uranium deposits in Bihar; this new discovery, it is hoped, will revolutionise the economics of atomic power production in India.

Without, however, assessing the opinions of these various experts, it is sufficient to say that Rs 150 crores a year for next 10 years should be within India's means, when the question of survival of the nation is at stake.

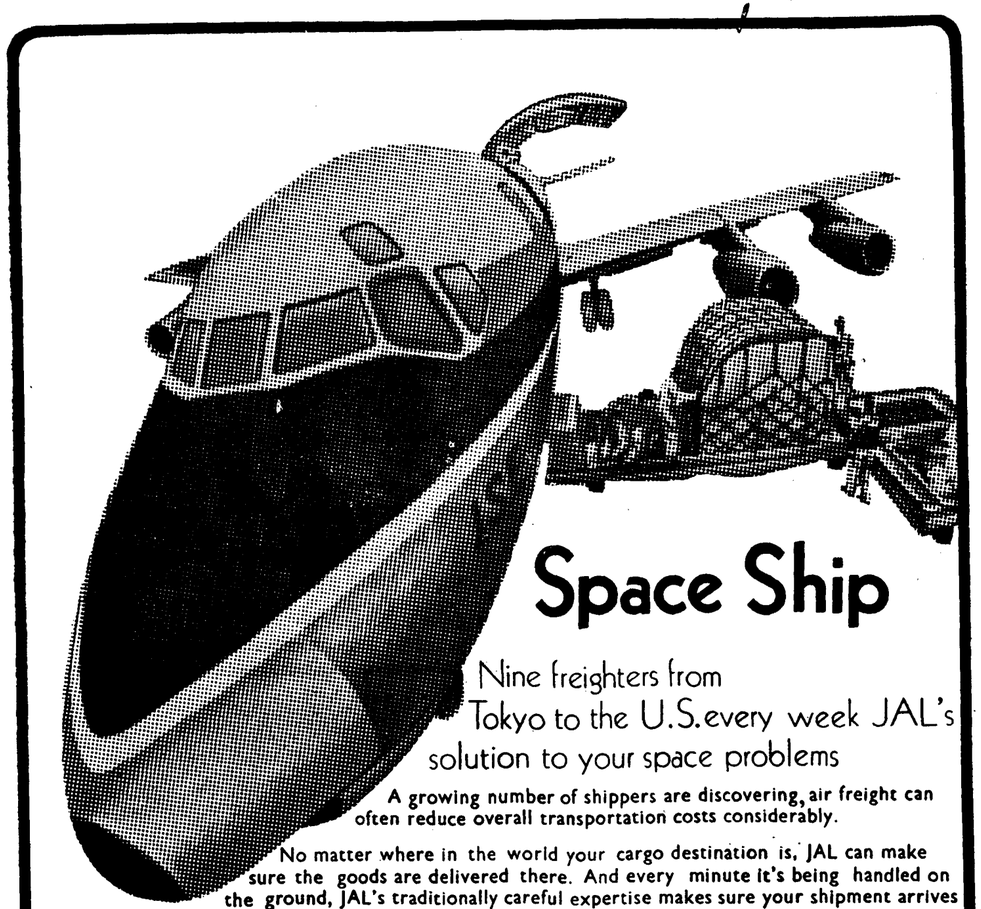
(ii) The moral argument may be briefly stated and dismissed. India has so long been the champion of peaceful means of settling international disputes, and in favour of disarmament; her taking to the production of nuclear weapons will be taken amiss by nations. This argument has no value, so long as India spends some 50 per cent of her central budget on defence.

(iii) The political argument is: could

Eastern Economist 25 Years Ago

JULY 27, 1945

One can make any kind of statement about a vast continent such as the United States without being wholly incorrect, but it would take more than a few weeks' study of political and economic affairs of that country to be able to venture any generalizations that can stand the test of time. The bout of liberalism that characterizes recent legislation in Congress is perhaps not wholly unexpected. But who a few months ago would have believed not only that Congress would ratify the Bretton Woods Agreements, liberalize the lending facilities of the Export-Import Bank and authorize the President to reduce tariffs by fifty per cent. but that the administration would win such resounding victories without having to fire a single shot? The harvests of Roosevelt's astute strategy are being reaped by President Truman. Indeed, the Congress is ready to yield at once to President Truman, what it would have given only after a great fight from the opposition. The United Nations Charter will be ratified within the next fortnight by the Senate and will go thereafter to the President for signature. But these easy successes by the Administration must be tempered by the knowledge that this gesture by Congress is possible only because Truman may be trusted to follow conservative right-wing policy conforming with the views of the less progressive forces in the country.



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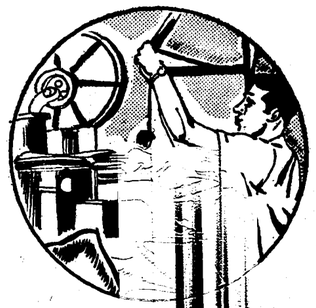

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not India depend upon the nuclear umbrella provided by friendly powers like the USA and the Soviet Union. "American and Russian assistance for India are extremely likely even in the event of a conventional attack. Indeed, Indian defence plans currently can be retrenched as assuming a great probability for such moral and material support from the outside world in the event of a Chinese attack."[5] But when the Indian government in 1967 sent high-level missions to sound out Moscow and Washington on the nature of future guarantees, both super powers, it is now known, were far from definitive in the assurances offered. The value of assurances of the kind is also open to question in the shifting sands of international politics, for instance, China might be friendly with USA a few years hence. Besides, using the nuclear umbrella also implies that you are dependent on another state for your security. An independence loving people, who have been the pioneers of a non-alignment policy in order primarily to preserve their political independence, are unlikely to like an umbrella.

To conclude, it is an old adage: Time and Tide wait for no man. The Indian people are, by and large, for a modest nuclear programme so that they are not again caught unawares.

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The Myth of Tata "Zamindari"

R. V. MURTHY

AT A time when there is general agreement that we must produce more and more steel and steel products in this country and we have also all the requisite capacity (or rather the nucleus) for the purpose — Bhilai steel plant (2.5 million tonnes), Rourkela (1.8 million tonnes), Durgapur (1.6 million tonnes), TISCO (2.0 million tonnes), IISCO (1.0 million tonnes)— it is indeed tragic that the production of steel and steel products is not going up. Perhaps it would be accurate to say it is not being allowed to go up. Yes, what else does it mean if trade union rivalries and fantastic labour demands are allowed to stall production both in public sector and private sector steel projects, if government refuses to allow (or make impossible) expansion schemes for steel and steel products in the private sector units by not releasing the required foreign exchange and not offering a reasonable price and if the governments of states where these private sector units are located do everything possible to make the position of the latter uncomfortably hot?

Take, for example, the Tata Iron and Steel Company Ltd at Jamshedpur (visited recently by pressmen from all over the country). Is it the fault of Tatas that they put India on the world's steel map some 60 years ago and did Bihar the unique honour of locating their steel plant (and India's first one) in that state? Otherwise, how can one explain Bihar government's policy of giving the dog a bad name (by dubbing Jamshedpur as "Tata's Zamindari") and trying to hang it [by deleting section 2(b) from the Bihar Land Reforms Act 1950 which an earlier government deliberately added with the specific purpose of exempting land acquired for industrial purposes from the mischief of the Act as contemplated by a few misguided politicians]?

Tata "Zamindari" is simply a political myth which is sought to be exploited by some self-seekers. It is (as is only to be expected) the communists, when they had the first opportunity of being members of a coalition government in Bihar, who raised the cry of ending what they mischievously termed as the "Zamindari rights of Tatas in Jamshedpur." Even allowing for the open hostility of communists towards a big industrial house like Tatas, it seems incredible that any well-intentioned government could go so far as to create unnecessary problems for an industrial organisation that has stood by the country and thereby cause incalculable harm both to industrial workers and to the country's industrial production.

Yet that is precisely what has happened. Had Tatas got their Jamshedpur complex from Lord Cornwallis under his scheme of Permanent Settlement, it could perhaps have been so described. But Tatas got all the land they now have on payment of full price under the Land Acquisition Act, and have also surrendered to the Bihar government about 600 acres of land at the same rate at which land was acquired by the government for Tatas, *i.e.* at the rate of Rs 125 per acre, as against the prevailing market rate which is believed to be some seven lakh rupees per acre! No one calls Bhilai, Rourkela or Durgapur which own 28,500 acres, 19,600 acres and 16,000 acres, respectively (incidentally, each of these is more than what Tatas have) Zamindari.

Now, what will be the effect of deleting section 2 (b) from the BLR Act? More particularly, will it affect the working of Tatas' industries? Perhaps not today, certainly not directly, but it will soon lead to the development of an environment that is hardly conducive to the continuance of the present planned, orderly and healthy development of Jamshedpur which has justly earned the reputation of being one of our few (so few indeed that one can count them on the fingers of one's hand) finest cities. It is an ideal city and, what is more, a living legacy created meticulously along the lines conceived by Jamshedjee Tata at the turn of the century. If his greatness lay in being at once a visionary and a pragmatist, the greatness of those that have followed him lies in faithfully following his detailed guidelines. It is amazing how he could think, over six decades ago, of the many things that strike even many of us of this generation as utterly modern today. To do anything to set the clock back, as any interference with the plans of Tatas in so far as the development of Jamshedpur goes is bound to be, would be to do violence to the sacred memory of this inspired Indian industrial pioneer an unpardonable crime for which those responsible would have to answer at the bar of history.

Unsavoury Consequences

When asked by pressmen to spell out the consequences of the application of the recently amended BLR Act, Mr R.S. Pande, Resident Director, stated that while, on the one hand, it would make it impossible for the steel company to manitain the industrial township of Jamshedpur, on the other, it would amount to a sedulous attempt to convert what is admittedly a beautiful township into slums and squatters' colonies which the next-door areas — Jugslai and Mango — that are under the Bihar government's administration are in fact. Even the 600 acres of "agricultural land" which Tatas allowed to be cultivated as part of the country's Grow More Food campaign and which, under the state's tenancy legislation, subsequently came to be vested in the Bihar government, is a striking contrast to the steel town. It is a pity that, although inside Jamshedpur, Tatas cannot do anything about it, because they have no control over the area. The anxiety of Tatas to preserve the image of Jamshedpur as an ideal city is, therefore, understandable. No wonder that even a former Chief Minister of Bihar — Dr Sri Krishna Sinha

— used to scorn any idea of meddling with the TISCO lands in Jamshedpur remarking that he did not wish to see another Patna created out of Jamshedpur, "the pride of not only Bihar but of India."

What is likely to happen if the unwarranted deletion of section 2 (b) of the BLR Act is allowed to take effect does not concern Tatas or Jamshedpur only. A pernicious move such as this has an enormous built-in potentiality for mischief. It could be invoked in respect of any industrial estate not only in Bihar but even in other states. If only for this reason, it ought to be strongly resisted to nip the mischief in the bud, and we are glad Tatas have decided to challenge the move.

There is yet another consideration, namely the repercussions of this policy on the future industrialisation of Bihar itself. God has endowed Bihar ("in one of his absent-minded moments", as one high Tata official cynically put it) with the richest mineral wealth that any state in India can claim, and several more industries are badly required to exploit all this hidden wealth. The need of the hour, then — and especially after what is happening to Bengal — is to do everything possible to attract industry and not to frighten it by shaking the confidence of any prospective entrepreneur in the manner in which the present Bihar government has chosen to act. None but the perversely short-sighted can close their eyes to these realities of the situation.

Trade Union Recognition : Some Considerations

DR R. M. GOIL

ONE OF the important aspects of the institutional growth in almost all the countries of the present-day world is the growth of their trade unions, much more so in industrialising economies. The world labour movement has made considerable headway during the inter-war and post-war periods. The formation and the development of trade unions have, however, not always been smooth sailing. In their wake, they have generated strains and stresses and have created, as well as encountered, numerous problems one of which being that of their recognition itself. Needless to say that the question of recognition of a union is fundamental to the fruitful existence of the institution. Recognition provides a formal basis for collective bargaining between the employers and employees. It is an essential prerequisite for healthy labour-management relations.

The problem is relatively simple where there is only one union claiming recognition in a unit or area. But it becomes difficult and complicated in the face of several rival unions putting forth claims. It becomes particularly vexed and controversial when the rival groups are directly or indirectly connected with the political parties, as is largely the case in India, and may, at times, give rise to serious and long drawn out industrial disputes. The long work stoppage in the engineering concerns of Jamshedpur can be mentioned as the most recent example of one of such disputes in India.

Some of the important issues connected with the problem of union recognition that may deserve our attention may be listed thus: why recognise at all; what is to be the recognised status; should there be any conditions to be fulfilled by the union in order to be eligible for recognition; who is to be recognised, union as a body or 'individual' as workers representatives, what is to be the unit of bargaining; what procedure is to be followed for according recognition to one out of several rival unions; for how long should the recognition hold good and; what are to be the respective rights and obligations of recognised and not so recognised unions? An attempt is made in this article to discuss these questions in the context of the Indian situation.

Before taking up the above issues, however, it would be of advantage to briefly explain the present position with regard to them and related matters in India. The first and the most obvious fact of the situation is the plurality of unions within given organising units. The Indian Trade Unions Act, 1926, permits any seven or more employees to form a union. Any number of such unions can be registered in the same organising unit under the Act provided they fulfil the prescribed conditions in the Act. This statutory ease has to such an extent facilitated the formation of rival unions that there have, at times, been proposals for imposing legal restrictions on the number of registered unions within a given unit, area or industry.[1]

By another provision in the same Act, outsiders — those who are not actually employed in an industry for which the trade union is being formed — can become its office-bearers up to a maximum of one-half of the total number. This provision along with the historical interest that political parties in India have taken part in the country's labour movement ever since its beginning, has contributed to the formation of rival unions not on the basis of craft differences but on the basis of political and personal differences. The division of the movement into four recognised national centres — INTUC, AITUC, HMS and UTUC — primarily on political and ideological grounds is too well-known to be mentioned here. Some more national federations, such as the Hind Mazadoor Panchayat and Bharatiya Mazdoor Sangh, have been claiming recognition for quite some time. Throughout its history rifts within the country's labour movement, whenever they have taken place, have been caused by political differences. More recently an almost imminent rift within the AITUC has been hinted by its General Secretary.[2] These political divisions at the national level have percolated to the state, industry and unit levels also.

No Central Legislation

Except for the statutes in a few states[3] and the Code of Discipline, there is no central legislation providing for recognition of unions. The Trade Union (Amendment) Act, 1947, and the Industrial Relations Bill, 1950, both of which provided for compulsory recognition of representative unions, were either not enforced at all or never became law. The result is that the recognition of unions has so far been largely voluntary. The Code of Discipline[4] adopted by the Indian Labour Conference in 1958 and ratified by all the central organisations of employers and workers, seeks to impose certain obligations on managements and unions. One of the obligations of management is to accord recognition to a union which fulfilled the criteria appended to the Code. It has also outlined the respective rights of unions recognized as representative unions and of those not so recognised.[5] Where there are several unions in an industry or establishment, the Code provided that the one with largest membership should be recognised, the implication of this provision being the use of membership verification method for the purpose. The details of such a procedure were further spelled out by the Government of India in 1960 and were subsequently agreed to by the central workers' organisations. But, as mentioned earlier, the Code is only a moral and voluntary measure and has no legal sanction behind it.

In terms of the questions posed the present position may, therefore, be summarised as under:

(a) Recognition of unions, particularly their recognition as representative unions, has been considered desirable

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as a solution to the problem of multiplicity of unions in the same bargaining unit. In certain limited spheres and areas (in a few states) this has been done through legal enactments and only voluntarily through the Code of Discipline, in the country as a whole.

(b) Theoretically, recognition may be accorded to a union for giving it varied status. All operating unions in an undertaking may, for instance, be formally recognised as 'recognised' unions by the employer. Some of the state laws also contemplate various types of recognised status. The Maharashtra and Gujurat acts, for example, provide for 'representative' union, 'qualified' union and 'primary' union. The MP act, likewise, provides for 'approved' unions in addition to 'representative' unions. But since recognition of a union, in the context of its role in industrial relations, should normally mean recognition as representative union alone, i.e., as a union which has a right to negotiate with the employers the terms and conditions of employment on behalf of the employees, we would, in our discussion, be confining ourselves only to this form of recognition. The Code of Discipline has also contemplated only this form of recognition.

(c) The Appendix to the Code prescribes criteria for recognition of unions. Under it, only that union can be recognised as a representative union for an industry in a local area which has a membership of at least 25 per cent of the workers of that industry in that area. For similar recognition in an establishment this minimum is 15 per cent. Membership is to be counted only of those who had paid their subscriptions for at least three months during the period of six months immediately preceding the reckoning. Only unions which observed the Code would be entitled to recognition.

(d) The 'union' as a body, and not individuals, is to be granted recognition.

No Specific Provision

(e) So far as the bargaining unit is concerned, there is no specific provision or practice in the law and the Code. By implication at least two types of bargaining units have been contemplated, viz, the 'establishment' and the 'industry-cum-region'. Nor has any attempt been made to spell out the various considerations that should weigh for determining an appropriate bargaining unit. As such, the matter is mainly left at the discretion of the labour administration.

(f) Both under the Code and the state acts that union, out of the several unions claiming recognition, has to be recognised which has the largest membership as verified by the Labour Commissioner.

(g) The Code does not comtemplate a challenge to the status of a recognised union for a period of two years. If a union has been recognised, there should be no change in its position for the period in the interest of ensuring some measure of stability to industrial relations.

(h) A number of rights were agreed to be granted to the unions recognised under the Code at the 20th session of the Indian Labour Conference in 1962. These included the right to raise issues and enter into collective agreements with employers, to collect membership fees from its members within the premises of the undertaking, to put up notices there, to process grievances of workers and to nominate its representatives on the various committees such as the Grievance Committee, Joint Management Council, Production Committee, Welfare Committee, etc., set up by the management. Since the representative union is intended to be the sole bargaining agent for the appropriate unit, it is generally conceded that the unions not recognised as such and yet operating in the given unit should not have any right in the matter. The 24th session of the Indian Labour Conference in 1964, however, agreed to give to such unions the right to represent individual grievances relating to dismissal and discharge or other disciplinary matters affecting their members.

Statutory Recognition

The National Labour Commission (NLC) has suggested several means for strengthening trade unions. One of these is the statutory recognition of a representative union by the employers who should deal with it as the sole bargaining agent. The minority unions have not been accorded any bargaining powers but have been given scope to represent dismissal cases before tribunals. On the question of the procedure for recognition of unions, however, the commission is indecisive and has left it on the discretion of the proposed Industrial Relations Commissions (IRC) to choose between ballot and membership-verification in each recognition dispute between rival unions. Even this recommendation could not be unanimous and largely reflects a compromise attempt in the face of strong INTUC resistance to the ballot method. Four labour members on the commission, in a note of dissent, have questioned the wisdom of allowing a decision on the issue to rest with discretion of the IRC's instead of allowing it to be determined on the basis of paid membership figures.

While some of the above matters are relatively simple and straight and not so controversial, much controversy persists with regard to some others. perhaps the most complicated and also those on which opinions seem nost divided are those of the criteria and the procedure for recognising representative unions.

Why Recognise?

Although the law of the land has, till now, not made it obligatory on the part of employers to recognise representative unions as the sole bargaining agents of their employees, there appears almost complete unanimity about the need to do so now. It may be recalled that even in the state acts referred earlier, the obligation is not on the employers to recognise a representative union but on the registrar of trade unions to register that union as representative union which satisfies certain conditions laid down in the respective acts. But now, as noted earlier, the NLC has made a unanimous recommendation for statutory recognition of representative unions. This is in conformity with the avowed objective of 'one industry one union'. It will tend to establish stable bargaining relationship between the employers and workers in a situation of multiplicity of unions. By opening channels of communication between the workers and employers it will prevent the occurrence of many disputes and would help settle those that do come up more speedily through negotiation and voluntary arbitration. Peaceful and stable industrial relations will be of help in planning ahead and improving productivity.

Employers have, at times, experienced difficulty and have observed that recognition of one union creates jealousies and heart-burning and makes the employer's position untenable. They have also occasionally been charged for partiality and favouritism shown to a particular union and have, therefore, used it as an argument not to recognise any.[6] Such difficulties, it may be mentioned, do not obviate the need for recognition as such. Basically they arise from lack of faith in the procedure for recognition. If recognition is made statutory and the procedure adopted for doing so is such as does not leave it on the discretion or choice of the employers (or of anybody else for that matter) and in which the workers have confidence, there would be no scope for such difficulties. Some amount of dissatisfaction can, of course, be reasonably expected within the losing union. But in case the union is convinced of the impartiality of the whole procedure, it would have no grouse to throw its blame on this or that person.

It has further been argued on the part of the employers that "even when the employer has recognised a union there is no guarantee that the recognised union will be able to deliver the goods on behalf of all workers or that the union will abide by the contract."[7] The validity of this argument also derives its strength from the criteria of recognition being fixed in a manner that a union which does not have 'majority' following in the relevant bargaining unit might be recognised as reprerentative union. This, therefore, is a factor which must be considered while deciding about the criteria for recognition.

Bargaining Unit

Once we accept the need and the importance for statutory recognition of representative unions by employers, the question — whom to represent — naturally arises. Should the union be granted sole bargaining right on behalf of workers employed in an establishment, an industry, an industry-cum-region or what? Should it speak for 'all' workers in the above segments or could separate units be recognised for different categories of employees on the basis of their craft or other differences? An appropriate bargaining unit is a must for clear jurisdictional demarcation. At the same time, no such demarcation can be uniformly and rigidly made. Of necessity, it will have to be different in the case of different industries, units, regions, etc., depending on various relevant considerations. So also there has to be some amount of flexibility in order to permit change in accordance with changing circumstances. The agency that would be charged with the responsibility of defining and delimiting the bargaining units shall also have to be such as will inspire confidence among the parties or else charges of manipulations with a view to favouring one as against other would be difficult to avoid.

As pointed out earlier, the existing situation in India in the matter is that it has been mainly left at the discretion of the relevant labour administration. Even the Code of Discipline contains provision for a representative union for an 'industry in an area' without specifying any criteria for identifying the industry or area for the purpose. In Madhya Pradesh such area cannot extend beyond a revenue district which in itself cannot be considered satisfactory simply because it will rule out the possibility of a bigger unit even where it is otherwise warranted by circumstances.

In the United States the determination of what constitutes an appropriate bargaining unit is left to the National Labour Relations Board. The Board decides each case on its merits but groups the facts determining its bargaining unit decisions around two basic criteria[8] — the history of collective bargaining if any and the mutuality of interests of employees. In the first group are such factors as the past relationship between unions and employees, the unit covered by such relationships, the jurisdictional rules of the unions and past unsuccessful efforts of self-organisation.

Around mutuality of interests, factors such as geographical location, manner of wage payment, comparability of wages, working conditions, etc., are considered. These considerations have, in practice, led to the formation of various types of bargaining units such as employed unit, craft unit, plant unit and so on. The industrial relations commissions, as proposed by the NLC, will be the most appropriate body in India to determine questions regarding bargaining units. Independent of the executive, they will inspire enough confidence among the parties. They would also ensure the required flexibility of approach in deciding each case on merit. They could consider the history and the type of workers' and employers' organisations, the past history of collective bargaining, if any, the nature and the type of workers involved, geographical factors, etc., in arriving at a decision for the purpose.

Criteria and the Procedure

The most controversial aspects of the problem of according representation recognition to trade unions in India have been the determination of the criteria and the procedure for such an action. Nobody questions the view that in a situation in which more than one union might be claiming recognition in a given bargaining unit, the one with the largest following or support should be recognised. But difficulties creep up immediately as one tries to establish the actual procedure of doing so. The difficulties mainly assume the form of two questions: (i) how to determine that the union 'X' has the largest following, and (ii) should there be any other conditions (other than the largest following) which a union should satisfy in order to be eligible for such recognition? In a way, both the questions are interrelated. For, if it is provided that only a union which has the support of at least 30 per cent of the concerned employees can be recognised as representative union and none of the contesting unions is able to get the required 30 per cent votes in the certification election (if ballot is the method) will it or will it not be so recognised?

In the context of the Indian situation certain conditions, other than the largest following, appear desirable. Firstly, in order to prevent the mushroom growth in the number of trade unions immediately before or at the time when a decision has to be made about representative status, it may be necessary to prescribe a minimum period of existence after registration for each union to be eligible to participate in the decision-making process. This may reasonably be put at one year as it is in the Code of Discipline and as supported by the employers also.[9] Secondly, unions that have indulged in an unfair labour practice during the preceding 12 months should be debarred from such participation.

Unfair Practices

What constitutes unfair labour practice should be defined in the law on the basis of a consensus arrived at the Indian Labour Conference. Since the Code of Discipline is based on such a consensus, it may be of advantage to adopt the unfair practices as outlined in it for this purpose. Thirdly, in view of a multiplicity of unions it may be necessary, by some means, to avoid a situation wherein a union which has the support of a very small proportion of workers in the bargaining unit may be recognised as representative union. This is necessary because the union's job is not merely to bargain but also to secure effective implementation of what has been agreed upon on the part of the workers. If a union with only about 15 to 20 per cent of the workers' support becomes a representative union, it might not only weaken its bargaining strength but might also create problems in the way of securing acceptance and compliance of the bargained agreements.

The requirement of a minimum support should be ensured whether it is 'membership verification' or 'secret ballot' that is adopted as the procedure for ascertaining the eligibility for representative status. In the former, it would be a minimum percentage of 'membership' and in the latter similar minimum of 'votes'. It might be argued that when there is no such required minimum in the case of persons elected for a state assembly or Parliament (and a person can represent a constituency even if the percentage of the total votes polled by him may be quite low) why should it be so in the case of a union? The reason is obviously the peculiar nature of union functions as pointed out above.

Now the question arises as to what should be this minimum? In the United States a union must receive a 'majority' of the valid votes cast in order to be certified as exclusive bargaining representative. Initially it was the majority of all eligible voters. But then the NLRB changed it as it was found that

inspired coercion to keep empoyees from voting. The implication of the 'majority' is more than 50 per cent. It could work satisfactorily in the United States because the number of contesting unions was hardly ever more than two. It will not be realistic to keep such a majority condition in India where there are normally 3, 4 or even more contesting unions in a typical situation. At the same time, if once we leave the 'majority' requirement, there is no obvious sanctity behind any other 'minimum-support' requirement. However, the continuance of the requirement of at least 25 per cent membership of the workers, as adopted in the Code of Discipline and state acts, may be advisable.[10] This requirement should hold good for all bargaining units and no lower percentage should be acceptable even in the case of an establishment. The percentage should be based on the total valid votes cast in case of 'ballot' and total number of workers in that of 'membership' verification.

Membership vs Secret Ballot

A lot has been said both for and against membership verification and secret ballot as methods for ascertaining eligibility of unions for granting them representative status. As is well known, Indian National Trade Union Congress (INTUC) has all through been for membership verification, while the other trade union centres have been demanding secret ballot. The Council of Indian Employers, in their memorandum[11] to the NLC, have come out with a proposal for a sort of combination of both. According to them if more than one union claims 30 per cent (This is their required minimum) or more membership within a bargaining unit, the Registrar of Trade Unions should first 'verify' the same. If the difference in the verified membership is 10 per cent or less, there should be a ballot of all workers at which each union with a verified membership of 20 per cent or more could stand as a candidate. If, however, the difference in the verified membership is more than 10 per cent, the union with larger membership can be certified as representative union without holding an election.

Membership as the basis of recognition has been mainly supported on the grounds that without it there will be no incentive for workers to become union members. As a result, their finances will be poor and their authority to control and discipline will be low. Elections will over politicalize the labour movement; the plants will be surcharged with election atmosphere which will effect productivity. Reckless and extravagant petitions, stay orders, defections, etc., will not only be time and money consuming but will also adversely affect industrial relations. More constructively, it is held that membership alone provides the more reliable and stable guide of the real following of a trade union.

On the other hand its critics have held that the membership verification method is cumbersome, costly, more time-consuming and open to manipulations. Charges of administrative favouritism to INTUC unions, which enjoy the support of the party in power at the centre and in most of the states, have also been labelled.[12] To them it appears quite contradictory that a country, which is the world's largest democracy and which can be ruled by elected representatives, can not elect its representative trade unions. They support the secret ballot on grounds of its being democratic and, as such, recommended by the Dheber Committee also.

The basic question that ought to be considered in this context is: what is the role of the workers in a process which is meant to determine 'their' exclusive bargaining agents? Are they, through the use of a particular method, given the right to be represented by the representatives of their own choosing? Arising out of this main question, two supplementary questions also invite our attention: can membership of a worker in a union be taken as his consent to be represented by it and are those of the workers who are not members of any union really neutral in the sense that it just does'nt bother them whether they are represented by union X or union Y or by no union, for that matter?

Important Questions

These questions assume importance in view of the fact that the concept of regular dues-payment as related to membership is very loose in India. Bacon has observed: "Indian workers in most cases are attached to trade unions only during periods of strife. If aroused to action they follow the leader or the union which presents the most attractive programme. They continue to pay dues only if immediate improvements are obtained." This, combined with possibilities of manipulated and fake memberships, raises serious doubts about the real intent of the members, let alone the large numbers of non-members.

It hardly needs any elaboration to show that the membership method fails to give this basic right to the workers to choose their own representatives. The representatives, in this case, are more self-styled agencies rather than those that are duly authorized by their principals. This basic drawback will continue to remain in the method even though its other administrative defects are removed and it is handled by an independent high-power body—like the proposed 'IRC's — instead of by the labour administration. There is no denying of the fact that real strength of a trade union lies in its membership but to correlate it with the membership method of granting representative status in the sense that this will lead to larger and more stable union memberships is open to doubt. Stable and large membership will, as they have been in the past, continue to be a function of the organising skill, zeal and honesty of purpose in the union leaders. It would have been better, therefore, had the NLC, instead of leaving it to the discretionary judgement of the IRC's, recommended only for the use of secret ballot for deciding representation disputes.

Eligibility Requirements

When once a decision is taken to adopt secret ballot as the procedure for deciding representation cases further details can be worked out without much difficulty. Only those unions may be allowed to contest elections who have existed at least for one year after registration (except in the case of a new undertaking if the undertaking is the bargaining unit). Eligibility requirements for workers' voting rights, if any, shall have to be clearly spelled out and a procedure to ensure fair elections will have to be envolved. Likewise, procedure for fair, quick and less costly disposal of petitions, etc., will have to be worked out.

A union which has been granted representative status should continue to enjoy sole bargaining rights in the whole of the bargaining unit for which it is recognised for a period of two years and thereafter as long as it is not challenged by another rival. The Council of Indian Employers have recommended for this recognition to remain valid for two years or for the duration

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of any long-term agreement which the union might have concluded with the management, whichever period is longer. Although the continuance of the same representative union for the full life of an agreement might be otherwise desirable, it might give rise to questionable means on the part of the representative union in order to maintain its position. Undue pressure might be exercised on the management to enter into long-term agreements. Agreements might be deliberately timed to be finalised towards the end of the recognition period of two years so that when the period is actually over the agreement, even if it is for a shorter period than two years, is yet to run for some more time. As such, there should be no uncertainty about the period for which the union's representative status will be guaranteed.

Advance Thinking

Some advance thinking on the prob- of rifts or amalgamations within and between unions, including the representative union during the pendency of the recognition period is also called for, particularly in the existing situation in India. Already there are cases where two separate groups of persons have claimed themselves to be the 'official' officers and workers of the same union at the same place and in the same undertaking. As mentioned earlier, recognition is given to the union and not to the persons who are officers of the union. The normal implication of this will be that even though the officers might change, the union as such will continue to enjoy recognition. Provison has, therefore, to be made for speedy judicial disposal of intra-union personnel difficulties and conflicts.

So far as the question of the respective rights of representative and other unions is concerned the existing position as outlined in the Code of Discipline and as recommended to be continued by the NLC is both satisfactory and free from having been seriously questioned by the parties concerned.

Under the existing situation of multiplicity of unions in India the need for statutory recognition of representative union in a given bargaining unit cannot be overemphasised. The discussion of the whole problem of union recognition in this article has itself only been limited to recognition for representation which involves the granting of sole bargaining right to a particular union.

Immediately as one thinks of designating a union as the sole bargaining agent, the question of defining an appropriate bargaining unit comes up. It has been argued in the article that no uniformly and rigidly applicable criteria could be suitable for the purpose. Instead, an agency like the IRC's, as proposed by the NLC, should be entrusted with the responsibility of giving final decision in each individual case on the basis of certain accepted guidelines.

In addition to the largest following (in a situation where there are more than one contesting unions), the eligibility of a particular union for recognition as representative union sould be judged on certain criteria, viz., a minimum of 25 percent membership or vote, existence for at least one year after registration and freedom from any proven charge of unfair labour practice during the previous 12 months.

Before taking a decision on the method to be adopted for ascertaining as to which of the contesting unions has the largest following the basic question to be asked should be about the role of the workers for whom representative union is being chosen.

As argued in the article, membership alone fails to give the workers the fundamental right to be represented by the representatives of their own choosing. As such secret ballot, and not membership verification, should be the method adopted for the purpose. The proposed IRC's, very much like the NLRB in the United States, may be vested with this responsibility with advantage. They can work out necessary details regarding the eligibility requirements of workers and unions, procedure which ensures fair elections and speedy disposal of petitions, etc. Arrangements should also be made for speedy judicial disposal of intra-union and inter-union personnel problems in order to take care of the likely rifts or amalgations within and between unions during the two-year period when the status of the representative union as sole bargaining agent would not be challenged.

Notes & References :

1. For example, Narayana, C. L. has pleaded for a 'single union in an industrial unit. He likens this single union to a 'trade union legislature'. See, *The Financial Express*, Bombay, October 25, 1959, p. 4.
2. See, *Economic Times*, Bombay, January 17, 1970, p. 4. Presently, of course, it could be avoided at Guntur.
3. For example in Maharashtra, Gujarat, Madhya Pradesh & Rajasthan.
4. For the text of the Code, see the booklet '*Code of Discipline in Industry*', issued by the Ministry of Labour and Employment, Government of India, 1961.
5. These were further elaborated at the 1962 and 1964 Indian Labour Conference and will be referred later in the article.
6. See, Malhotra, B. N., Recognition of Trade Unions in India, *The Indian Journal of Labour Economics*, Vol. IX, No. 1, April 1966, p. 136.
7. Council of Indian Employers, Background Paper on Recognition of Trade Unions, prepared for a Seminar on Job Security and Recognition of Trade Unions, August 1969, p. 14.
8. See, Bloom, Gordon F. and Herbert R. Northrup, *Economics of Labour Relations*, Irwin, Illinois, 1951, p. 756.
9. See, Council of Indian Employers, *Memorandum to the National Commission on Labour*, Jan. 1968, p. 10.
10. The Council of Indian Employers have recommended it to be 30 per cent, see, Ibid, p. 10.
11. Ibid, pp. 10-11.
12. For example, Bagaram Tulpule has given five specific cases, all from public sector units located in different states, mainly in support of the delays and discriminatory use of power by governments in matters of granting recognition to INTUC as against other unions under the above method. See, his paper, *Government Power and Union Recognition*, submitted to the Third National Seminar on 'Industrial Relations, in a Developing Economy' Sept. 1967, organised by Shri Ram Centre for Industrial Relations, (Memio.)

NOTICE

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REGISTERED OFFICE: BIRLAGRAM, NAGDA, M.P.

Notice is hereby given that the Register of Members and Transfer Books of the Equity Shares of the Company will remain closed from Monday, the 10th August, 1970, to Monday, the 7th September, 1970 (both days inclusive) for the purpose of payment of dividend on 55 lacs Equity Shares as also for the allotment of Bonus Equity Shares of Rs. 10/- each in the ratio of one such fully paid Bonus Equity Share for every five Equity Shares held by the Equity Shareholders of the Company, whose names appear on the Register of Members as on 7th September, 1970.

The Dividend on Equity Shares, if sanctioned, will be made payable at United Commercial Bank at any of its branches in India on or after 18th September, 1970 to those Share-holders, whose names stand on the Register of Members of the Company as on 7th September, 1970.

The Transfer Books of Preference Shares, Series 'A', 'B' and 'C' will also remain closed during the period above mentioned.

By Order of the Board
B. N. PURANMALKA
Secretary.

Registered Office
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WINDOW ON THE WORLD

Speculation Over D-Mark

E. B. BROOK

VIENNA:

WEST GERMANY, more properly the German Federal Republic, has for long been remarkable for its economic growth and strength. Its post-war recovery, with the aid of skilfully managed Marshall Aid funds and by dint of its people's dour hard work, culminated in the "economic miracle" of the Adenauer and Erhard days. Its achievements were the envy of the less successful wartime victors, Britain and France, and while Britain risked earning the title of the "economic sick man of Europe", West Germany grew to be its economic goliath.

West German economic collaboration is most sought after by all east European countries despite political obstacles, partly because of the high repute of German quality and technical precision, partly because Germany rarely has serious labour troubles to disrupt production and partly because east Europe is accustomed to the German presence in more ways than one. The widespread and historic extension of German living and work in east Europe, a fact often obscured by the two great wars of the first half of this century, provides some background for current German economic thinking which regards not only the Common Market and trans-Atlantic trade as its home grounds but, when opportunity offers, east and south-east Europe also.

Wide Open Market

Not least among West Germany's economic attractions is the fact that it offers an almost wide-open market to foreign labour, even at a time when the Swiss are more cautiously slowly closing theirs. The latest official report from Bonn mentions 531,700 work positions open to men and 328,500 to women — 6.5 per cent more work opportunities than even in the previous year. West German wages, in fact, support families and small savings from Turkey to Portugal and in parts of north Africa also. Yugoslav workers' savings from their wages in Germany are recognized as a contribution to the national economy.

There was a time when it was very seriously feared that West Germany might develop the "English sickness" of the currency being threatened by excessive internal earning and expenditure and of the customary "vicious spiral" of prices and wages developing. This threat, as well as danger to the mark from a huge inflow of speculative foreign funds, appeared to have been fairly satisfactorily held last October by an upward revaluation of the currency. But, with West German industrial production still massive — labour productivity in the last two months has increased by 4 per cent over the level for a year ago — the mark is still attracting an unhealthy amount of foreign financial support in expectation of a second revaluation.

Nervous Movement

Another revaluation was regarded as near certainty in German and west European banking circles when a further increase in the mark's value of from 2 per cent to 6 per cent was fully expected on June 17 (a German official holiday). Foreign money worth some 3,000 million marks flooded into West Germany, despite a discouraging special interest rate for such foreign investment and fairly stringent restrictions on banking terms, in the four days preceding that date. Additional causes of speculators' certainty were a general nervousness in investment markets, a widespread movement of speculative money and expectation that the US internal interest rate would be lowered. The expectations were belied but a large part of that foreign speculative investment remains in West Germany as an unhealthy support of its economy.

This situation of uncertainty continues to affect the West German financial position. Not only does this speculative money remain and too much money continues to be available from all sources to German banks but the issue is internally political also. The situation is so nervous that when the Canadian dollar was allowed to float at the beginning of June the German Central Bank was obliged to buy £455 million-worth of US dollars in 10 days to counteract speculation on another revision of the mark. On July 1, the Central Bank took the further precaution of increasing its minimum reserve requirement (the percentage of currency held by commercial banks that must be deposited with the Central Bank) to raise the reserve rate from 14.7 to almost 17 per cent.

The Central Bank has for several month been increasing its pressure on the German federal government to increase taxes and to take other political measures to siphon off some of the excess foreign and domestic cash circulating in West Germany. Although the German worker is producing only 4 per cent more than he did last year he is receiving 14 per cent more for his work. The result is the threat of a "wages explosion" such as has been troubling Britain and, with the addition of the foreign speculation amounting to milliards of marks, of serious inflation. The West German government largely because it hesitates to risk its narrow majority by increasing taxes, insists that the inflation is cooling The Finance Minister insisted recently that there was no danger of a recession.

The best news for West Germany in these circumstances is the announcement from Frankfurt that its trade surplus in the first five months of this year has fallen by some £42 million, as compared with last year, but it still remains an impressive £585 million.

At the same time the West German cabinet has, some think a trifle slowly, come to the conclusion that it must act. To prevent a rise in domestic prices, to reduce demand on industry, lower the present record interest rate level and, if possible, freeze some £590 million within the economy for the next eleven months the cabinet has decided on a six-point programme, described as a "stability" programme.

As expected, the programme suspends tax deductible depreciation allowances till the end of January and demands advance payment on income and corporation tax liabilities of 10 per cent by all companies and individuals paying more than 100 marks per month in taxes.

Plan Postponed

The cabinet has postponed its plan for gradual reductions in surtax charges and action on increasing tax allowances for employees will be delayed.

All government departments are to be required to exercise restraint in spending during the current financial year and, armed with these methods of taking excess money out of the economy, the government is seeking the Central Bank's co-operation in creating disincentives by lowering its high interest rate levels which attract too much spare and speculative money.

The government has been tardily persuaded that it needs to deflate the economy and individual prosperity by at least the negative method of disincentives if it cannot raise the courage to increase taxation directly. The situation is complicated by the fact that both the government's and the bankers' attitudes to the acknowledged necessity to cool the West German economy are basically political. European reaction to the West German proposals is at first to doubt if they are sufficient to be effective or to persuade speculators that there is better profit for their money outside West Germany. The test will lie not so much in how much money Germans can be prevented from spending as in how much of their cash non-Germans can be persuaded to withdraw from West German banks.

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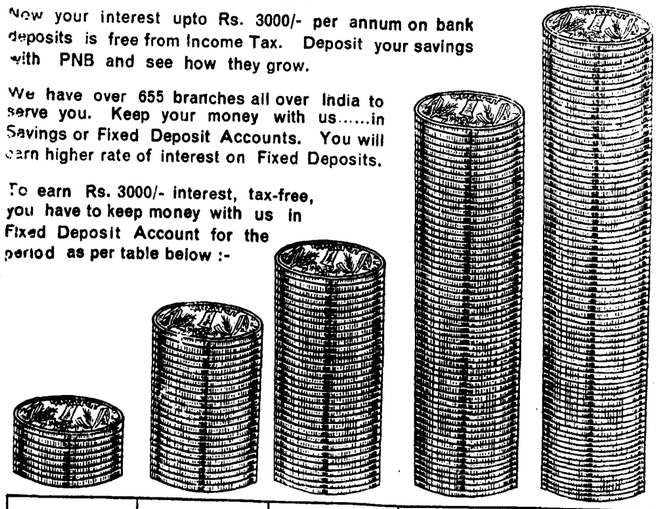

Period	91 days	6 months	9 months	12 months
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Trade Winds

CURB ON PRICES

MR Y.B. CHAVAN, union Finance Minister, assured the Consultativ eCommittee of Parliament recently that the government would give the highest priority to tackle the problem of rising prices. He indicated that the Finance Ministry would examine the credit policy of the nationalised banks to find out whether the rise in prices is linked with the money supply in the economy.

COPPER DEPOSITS

The richest ever copper deposits in the country have been found in Malanjkhand in Balaghat district by the Madhya Pradesh unit of the Geological Survey of India. Mr Satrughna Singh Tiwari, Natural Resources Minister in Madhya Pradesh, stated that the deposits were spread in an area of four kilometres. At present Congo is said to be richest in copper mining in the world. Exploring copper deposits is also in progress in Sagar district and Chattisgarh region of the state.

COPPER AT KHETRI

The first copper project at Khetri in Rajasthan started experimental production on July 13, after the formal inaguration by the union Minister of State for Mines and Metals, Mr Nitiraj Singh Choudhry. The Rs 98-crore project in Jhunjhunu district is designed to produce 31,000 tonnes of electrolytic copper from the two old mines at Khetri and Kolihan. It would also produce about 200,000 tonnes of fertilizer (triple super phosphate) per annum. The objective of experimental production on a limited scale from the upper levels of Khetri mines was to try ring drilling operations, perfect ore extraction techniques and work out dilution factor necessary to control the mill grade ore. The ore mined in the process of experimental production will be stored at Khetri stockpile so as to build up a sizable stock of ore for the concentrator plant which is likely to be commissioned by 1972.

FISHING IN KERALA

The Kerala government has approved an intensive project based in Kozhikode for developing the fishing industry. The project will involve an outlay of Rs 75.20 lakhs, 75 per cent of which will come from Agricultural Refinance Corporation. It is planned to establish an ice plant, three sales stalls with refrigeration facilities, besides building 50 mechanised boats. Two workshops and two insulated vans also will form part of the project. The mechanised boats will be handed over to the fisheries co-operative societies in the region. The entire programme will be undertaken through the Kozhikode Regional Fish Marketing Co-operative Society and seven primary fish co-operative societies.

FOREIGN TRADE

Exports from this country in May, 1970, totalled Rs 119.11 crores, while imports were around Rs 127.63 crores, leaving an adverse trade balance of Rs 8.52 crores. The cumulative figures for April-May 1970 are:

(Rs in crores).

	April-May 1970	April-May 1969
Exports	247.00	235.60
Imports	270.02	251.10
Trade balance	(—)23.22	(—)15.50

TRADE DEVELOPMENT AGENCY

An ambitious role is expected for the proposed Trade Development Agency which will start functioning before the end of this month. The agency will provide extension services mainly to small exporters and will function initially on a pilot basis confining itself to the exports of three or four selected industrial sectors like sports goods and processed foods. Depending on the initial experience, the coverage would be expanded to more sectors. A major bottleneck for small exporters is the delay in securing raw materials, both imported and indigenous. To some extent, the problem in stepping up exports is administrative, such as delay in industrial licensing and foreign exchange allocations. It will be TDA's responsibility to help potential exporters to overcome the difficulty all through the line. While the Agency will not engage itself in actual exports, its main function will be to act as a catalytic agent to encourage product adaptation, to assist exporters through making available detailed market analysis, to help new entrepreneurs to meet the exacting requirements of sophisticated markets.

CHALLENGE TO JUTE EXPORT

The Indian jute industry's position in the world market *vis-a-vis* Pakistan has further deteriorated as a result of the increase in Pakistan's bonus voucher on export of jute goods from 30 per cent to 35 per cent with effect from July 10. The Indian Jute Mills Association has stated in this connection that Pakistan exporters have begun offering a discount of 50 per cent on Indian quotations for sacking goods. Even at the previous rate of bonus voucher, the press note added, Pakistan enjoyed a big advantage over India in the break-even selling prices, amounting to Rs 1,073 per tonne for hessian, to Rs 983 for sacking and to Rs 38 for carpet backing. The IJMA has indicated that "the position is extremely serious and unless the government of India comes forward with a substantial counter subsidy immediately, Pakistan will rapidly capture the bulk of India's export business in carpet backing along with what remains of this country's hessian markets."

EXPORT OF MENTHOL

Natural menthol, a popular basic chemical that goes into a number of pharmaceutical, cosmetic and confectionery products is now made available for export. Richardson Hindustan ventured into its commercial production in this country just about three years ago to turn out a 100 per cent indigenous product from indigenously grown *mentha arvensis* in an indigenously assembled and built up chemical plant. After satisfying its own needs of menthol and those of actual users to some extent, the company has launched its export programme. The first export consignment is a significant step in the export-oriented industrial growth of this country. The quantum of this export will progressively rise in the future as the company's production of menthol increases.

FINANCE FOR PUBLIC SECTOR

Public sector undertakings, which are public limited companies, are now eligible to seek financial assistance from public financial institutions. Even those undertakings which have not declared a maiden dividend are now eligible. The government has issued instructions to financial institutions relaxing some of the earlier conditions for assistance to public sector undertakings, itis learnt. Apart from whether they have declared a maiden dividend or not, public sector undertakings can approach institu-

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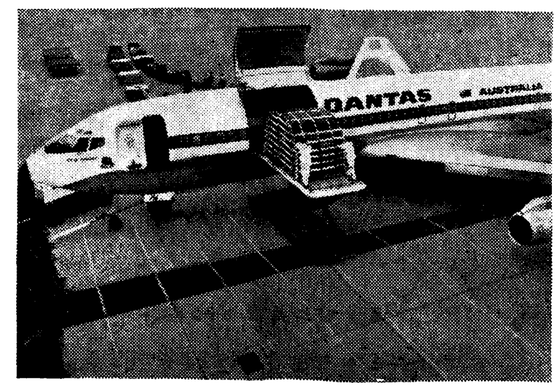

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tions like IDBI (Industrial Development Bank of India) or IFC (Industrial Finance Corporation) for assistance even if they have budgetary support or the government has contributed more than 50 per cent of finances. The financial institutions will, of course, apply technical and economic criteria and make their own judgment about the soundness of any project posed for assistance as is done in the case of the private sector.

INTERNATIONAL CO-OPERATION

The joint working group on industrial co-operation representing the United Arab Republic and Yugoslavia and this country has recommended the setting up of joint ventures in respect of four industrial projects. The clearance for these projects for the manufacture of scooters, wheeled tractors, television glass bulbs and television picture tubes came recently at the end of two weeks of detailed discussions by the group. The recommendations of the group will be placed before the tripartite ministerial meeting scheduled in Belgrade in the first week of October.

INDIA-MALAYSIA PROJECT

The New India-Malaysia Textile Company is to float 1,587,500 convertible, redeemable preference shares with a fixed cumulative dividend. A statement by the company recently indicated that the issue of the one Malaysian-dollar shares commanding 7.5 per cent interest is the first public floatation of this type of share in Malaysia. In addition the company, a joint venture of this country with Malaysian interests in nearly 2.5 million sterling (Rs 4.5 crores) textile factory, is issuing a similar number of ordinary one Malaysian-dollar shares. The preferential shares can be converted into ordinary shares one year from the date of issue and will remain for seven years. After March 1978 when the company can redeem the preference shares at par, it may only do so after fully paying up dividends in arrears.

ENGINEERING PRODUCTS

A high-power technical committee has been set up by the Heavy Engineering Corporation headed by the General Manager of the HEC to standardise castings, forgings and other products of the Corporation. Three foreign experts working in the Heavy Machine Building Plant, the Foundry Forge Plant and the Heavy Machine Tools Plant, have been included in the committee.

ADVERTISING CONGRESS

The Seventh Asian Advertising Congress, which is due to be held in New Delhi from November 18 to 20, aims at projecting the common problems of all nations. The Advertising Congress will facilitate the meeting of Asian minds with a view to developing an Asian personality. Up to date over 400 delegates from all over Asia have been enrolled and the Congress is likely to draw about 1,000 delegates, who would represent the world of Asian advertising, publishing and marketing. The sponsors of the Congress are the Indian Society of Advertisers, the Indian and Eastern Newspaper Society, the Indian Languages Newspapers Association and the Adversting Agencies Association of India. The union government is giving full support through the Ministry of Information and Broadcasting.

W. GERMAN BANK RATE

In West Germany, the bank rate has been lowered by half a per cent to 7 per cent. The new rate came into effect from July 16, 1970.

STATE LOANS

The Reserve Bank has announced the completion of the Rs 142.50-crores state government borrowing programme for 1970-71. Fifteen state governments entered the market on July 15 offering 5.75 per cent, twenty-year loans for subscription at par. Loans of ten of them were closed on July 15, as first day subscription approached their total notified amount of Rs 95 crores. On July 16, the loans of five other for a total notified amount of Rs 47.50 crores were declared closed. No details of subscription are available, but subscription is likely to have exceeded the notified amount for a few loans

NAMES IN THE NEWS

Mr **J.J. Mehta** has been appointed Chairman of the Board of Directors of the Indian Petro-Chemical Corporation, a public sector undertaking. The Indian Petro-Chemical Corporation was incorporated under the Companies Act on March 22, 1969, and is at present implementing the two major schemes of the Gujarat petro-chemical complex, namely, the aromatics project and the naphtha cracker project.

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Company Affairs

GWALIOR RAYON

During the year ended March 31, 1970, the Gwalior Rayon Silk Manufacturing (Weaving) Co. Ltd recorded a total turnover of Rs 54.83 crores, as against Rs 52.03 crores in the previous year. Gross block of the company increased from Rs 28.06 crores to Rs 30.11 crores during the year 1969-70. After providing for managing agents, commission and Rs 2.41 crores for depreciation, Rs4 3.06 lakhs for development rebate reserve and Rs 3.67 crores for taxation, there is a net profit of Rs 3.61 crores. These profits, however, include a substantial amount relating to non-manufacturing items such as receipt of insurance claim pertaining to earlier years, interest on bank deposits and profits on reduction of stocks. The directors propose to appropriate the above profit as under: preference shares redemption reserve Rs 15 lakhs, replacement and rehabilitation reserve Rs 2 crores and general reserve Rs 1.46 crores.

In view of the machinery and equipment of the pulp plant and the staple fibre division getting very old, the directors have considered it advisable to create an adequate reserve to enable the company to modernise and rehabilitate worn out plant and machinery. Modernisation and replacements necessarily involve heavy expenditure and the same can only be provided by building up substantial reserves. The directors have, therefore, decided to create a separate replacement and rehabilitation reserve, which would provide for renovation and modernisation of machinery and equipments in question, at the same time taking care of the obsolescence factor. Whereas an amount of Rs 1.46 crores is transferred to general reserve, a sum of Rs 1.20 crores would be utilised from general reserve account towards payment of dividends on equity and preference shares for the year 1969-70, when conformed by the shareholders at the general meeting. A sum of Rs 1.80 per equity share of Rs 10 on equity capital of Rs 5.50 crores, will absorb Rs 99 lakhs against Rs 96.25 lakhs for the previous year (Rs 1.75 per share last year).

The government's permission for the issue of bonus shares in the ratio of one for five, has been received. The bonus shares will be issued in due course and will rank for all dividends declared after their allotment, *pari passu* with the existing equity shares. For part financing of the company's rayon grade pulp project at Harihar and caustic soda project at Nagda, arrangements have been made for a medium term loan of Rs 2.0 crores from its bankers for the pulp project and a foreign exchange loan of Rs 1.51 crores (US $ 2.01 million) from the Industrial Credit and Investment Corporation of India Limited for the caustic soda project. Application has also been made to the company's bankers to secure deferred payment terms under IDBI's bills re-discounting shceme for the purchase of some of the indigenous machinery and equipment required for the two projects.

Staple fibre production during the financial year 1969-70, was 57,039 tonnes. This is equivalent, in spinning value, to over 350,000 bales of cotton, which in the context of present acute shortage of cotton should be considered a valuable contribution to the economy. But for the labour troubles at Mavoor and Nagda and the limited availability of pulp, the production would have been much higher. The company's application for grant of industrial licence to manufacture 100 tonnes per day of staple fibre at Harihar (Mysore) by using its pulp to be produced there, is still pending for decision by the government. Both the rayon grade pulp and the proposed staple fibre plants are planned to be set up almost entirely with indigenous machinery and without involving any foreign know-how.

JAY SHREE TEA

The Directors of Jay Shree Tea and Industries Ltd have decided to maintain the equity dividend at 10 per cent per annum for the year ended December 31, 1969. The company's sales during the year have amounted to Rs 10.95 crores against Rs 11.10 crores in the previous year. Gross profit, on the other hand, has increased from Rs 97 lakhs to Rs 105 lakhs. Net profit, after making essential provisions, also works out higher at Rs 30.05 lakhs as compared to Rs 23.67 lakhs the year before. The provisions include: depreciation—Rs 42.71 lakhs (Rs 31.35 lakhs in the previous year), taxation— Rs 22.50 lakhs (Rs 21.50 lakhs), development rebate reserve — Rs 3.00 lakhs (Rs 6.90 lakhs), and development allowance reserve—Rs 4.00 lakhs (Rs 3.50 lakhs) The equity dividend absorbs Rs 16.40 lakhs.

HINDUSTAN MOTORS

The directors of Hindustan Motors Ltd, have decided to defer their decision to make an application to the Controller of Capital Issues for allowing the company to issue 150,000 cumulative redeemable preference shares of Rs 100 each. The company has applied to the Controller of Capital Issues for issue of debentures of Rs 5 crores.

CHEMICALS AND FIBRES

The directors of Chemicals and Fibres of India have proposed an interim equity dividend of Rs 1.10 per share of Rs 10 each (11 per cent) for the year ending September 30, 1970. The company had paid interim dividend of 11 per cent and a final dividend of 16.5 per cent for 1968-69. The interim dividend has been announced on the existing shares. The company had announced a bonus issue in January, 1970, in the ratio of two new shares for every five shares held. Shareholders, sanction had been obtained in February, 1970. The bonus issue is still pending with the government. On receipt of the consent of the Controller of Capital Issues for the proposed bonus issue, an interim dividend of Rs 1.10 per share will be declared and paid on the new equity shares. The company's proposal for expanding its capacity from 4,500 tonnes to 6,100 tonnes per annum is still pending with the government as it is tied up with the government's sanction for the proposed rights issue for financing the expansion programme. The amalgamation proposal of CAFI and Alkali and Chemical has been put off. It will be considered after the bonus and rights issues of CAFI are made. In the first nine months of the current year (October 1969 to June 1970) the company's working has been quite satisfactory.

FRICK INDIA

Frick India Limited closed its financial year on March 31, 1970 with a total sales of Rs 1.44 crores as against Rs 1.05 crores in the previous year ended December, 1968. The net profits of the company are approximately Rs 7 lakhs after provision for taxes. The board of directors have recommended a dividend of 10 per cent as against 8 per cent last year. Frick India Limited, has technical and financial collaboration with the Frick Company of the USA who hold majority shares. The company has plans to enter the capital market in September 1970 to raise an additional equity of about Rs 20 lakhs to finance its new project to manufacture Worthington centrifugal packaged chillers in

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technical collaboration with Climatrol Industries, Inc., USA, one of the renowned manufacturers of such sophisticated machines. Centrifugal packaged chillers are ideally suited for the air-conditioning of multi-storeyed buildings and for cooling applications in the chemical and petrochemical industries. With the availability of these machines in India, the country will save a substantial amount of foreign exchange and the company is hopeful of an increase in sales not only in the domestic market but in the neighbouring countries as well. In the first three months of the current fiscal year the company has already received orders worth approximately Rs 1.5 crores out of which orders for over Rs 40 lakhs have been executed. The company has also been sanctioned a second loan of Rs 20 lakhs by US AID out of PL 480 funds to finance its expansion schemes.

UNIVERSAL TYRES

The directors of Universal Tyres Ltd have decided to make the first call on the partly-paid equity and redeemable preference shares as follows: Rs 2.50 per share on equity shares and Rs 25 per share on the preference shares. The call monies on these shares should be payable on or before September 30, 1970.

AMERICAN REFRIGERATOR

American Refrigerator Company Ltd will enter the capital market on July 27, 1970, with an offer of 1,50,000 equity shares of Rs 10 each at par and 10,000 (9.3 per cent) redeemable cumulative preference shares of Rs 100 each at par (free of company's tax but subject to deduction of tax at source). The issue will close on August 7, 1970, or earlier at the discretion of the directors but not before July 31, 1970. The company has an authorised capital of Rs 2 crores and issued, subscribed and paid-up capital of Rs 41,25,000. The company manufactures, sells and services window air conditioners, water coolers, package air conditioners, condensers and chillers, etc. The company is also manufacturing industrial blowers in technical collaboration with M/s Chicago Blower Corporation of the USA. Funds are now needed for the erection of buildings, purchase of balance plant and machinery and working capital so as to bring hydraulic machine tool and Chicago blower projects to planned capacity.

RECKITT AND COLMAN

The directors of Reckitt and Colman of India Ltd announced that their recent issue of 750,000 equity shares of Rs 10 each at a price of Rs 13 per share has been heavily over-subscribed. The basis of allotment is as under:

25 shares to one out of every 9 applicants for 50 shares, 25 shares to one out of every five applicants for 100—150 shares, 25 shares to two out of every five applicants for 200—250 shares, 25 shares to three out of every five applicants for 300—350 shares, 25 shares to 9 out of every 10 applicants for 400 to 500 shares 25 shares to each applicant for 550 to 950 shares, 50 shares to each applicant for 1000 to 1450 shares, 75 shares to each applicant for 1,500 to 2,000 shares, 100 shares to each applicant for 2,050 to 3,000 shares, 150 shares to each applicant for 3,050 to 5,000 shares, 200 shares to each applicant for 5,050 to 6,000 shares, 250 shares to each applicant for 6,050 to 7,000 shares, 300 shares to each applicant for 7,050 to 9,000 shares, 400 shares to each applicant for 9,050 to 11,000 shares, 450 shares to each applicant for 13,500 shares, 675 shares to each applicant for 20,000 shares, 850 shares to each applicant for 25,000 shares, 1,000 to each applicant for 30,000 to 30,050 shares and 1,550 shares to each applicant for 50,000 shares.

NEW STANDARD ENGINEERING

The directors of the New Standard Engineering Co. Ltd have stepped up the dividend from seven to 10 per cent for the year ended March 1970. The company's sales have gone up from Rs 2.36 crores to Rs 3.64 crores. The gross profit is up from Rs 20.09 lakhs to Rs 28.40 lakhs. After providing Rs 13.92 lakhs for depreciation, Rs 0.81 lakh for development rebate reserve and no provision for taxation, the net profit is Rs 13.66 lakhs against Rs 5.29 lakhs in the previous year. After making certain adjustments and transferring a sum of Rs 18.50 lakhs to general reserve, a sum of Rs 0.13 lakh is carried forward against Rs 6,385 brought in. The proposed dividend will claim Rs 11 lakhs and is to be paid from the general reserve.

BHARAT ELECTRONICS

The working of Bharat Electronics Limited during the year 1969-70 has resulted in a profit of Rs 426 lakhs prior to taxation. The board of directors of BEL have recommended to the shareholders a dividend of 10 per cent for the year ended March 31, 1970. This dividend will contribute Rs 52.12 lakhs to the general revenue of the union government. The above gross profit of Rs 426 lakhs after providing Rs 176 lakhs for taxation and Rs 67 lakhs for development rebate, results in a net profit of Rs 183 lakhs. After providing Rs 52.12 lakhs for the dividend and making adjustments for transactions relating to previous years, the directors have recommended that a sum of Rs 115 lakhs be transferred to general reserve. This performance, taking into account the company's policy to maintain its prices lower than the prices for similar equipment procured by import, is a good pointer of its efficiency. The value of production for the year 1969-70 is Rs 24.11 crores as against Rs 20.73 crores for the previous year. With their continuous effort to incorporate more and more indigenous material and components into their products BEL have been able to save foreign exchange to the tune of Rs 15.30 crores in the year under report. The total foreign exchange saved by the company for the country so far amounts to ove Rs 63 crores.

NORTON MACHINES

Norton Machines Ltd. Shrewsbury, England, associated with Norton Company's Machine Tool Division in Worcester, Mass., has been named recipient of the Queen's Award to Industry in recognition of export achievement. The award, established in 1966, is given annually to a select number of industrial concerns in recognition of their efficiency in increasing exports or for technological innovation. Norton Machines Ltd exports equipment to 29 nations around the world. The award was presented in May at the Shrewsbury plant by a representative of the Queen.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ended March 14, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

LICENCES ISSUED

Electrical Equipment

M/s Toshiba Anand Lamps Ltd, P.B. No. 1077 Ernakulam, Cochin 11. (Kerala) — Mercury Vapour Lamps 30,000 nos. per annum on maximum utilisation of plant and machinery; M/s Hindustan Cables Ltd, P. O. Hindustan Cables, (Rupnarainpur Rly Stn) Burdwan (West Bengal) — Paper insulated lead sheathed and steel tape pressed Telephone Cables, Capacity: 4800 km on 2 shifts; (2) Aluminium sheathed Telephone Cables, Capacity: 960 km on 2 shifts; (3) Copper coated

Steel Wire for Telecommunication, Capacity: 2700 tonnes on 2 shifts (4) Type 174 Coaxial Paper cables Capacity: 1020 Tube Kms.—

Machine Tools

M/s Metal Box Co. of India Ltd, Allahabad Bank Building, 17 Parliament Street, New Delhi. (West Bengal) — Special purpose machine tools for the canning industry: Capacity after expansion; 600 machines on the basis of utilisation of plant. (SE).

Earth Moving Machinery

M/s Tata Engineering Locomotive Co. Ltd, Bombay House, 24 Bruce Street, Fort, Bombay — 1. (Maharashtra) — 1. Pneumatic . Tyred Traction Unit, Capacity: 200 nos. per annum (2) Front-end attachments for (i) above like (a) Fork lift attachments capable of handling loads of 8 tonnes and (b) Front end loader attachments with bucket capacities of upto 2 1/2 cu. yds.. Capacity: as per requirements. (NA).

Food Processing Industries

M/s Mahabir Flour Mills, 102 Raja Dinendra St., Calcutta —6 (West Bengal)—Wheat Products — 750 tonnes per month in terms of wheat (COB).

Leather Goods and Pickers

Shri A. Subramanian, M/s Sreenivas & Co., 10 Sydenhams Road Periamet Madras —3 (Tamil Nadu) — (1) Tannery No. 1 at Madhavaram, Madras, E. 1 Tanned Skins — 3,28,000, Skins Pickled Skins—2,84,000 Skins, Cyrome Tanned Skins — 3,67,000 skins, Vegetable Tanned Hides=4,000 Hides, Finished Leather=4,000 Hides, Finished) Leather: 45,000 Hides & Skins, (2) Tannery No. 2 at Dindigul E. 1. Tanned Skins — 3,48,000 Skins, *Tannery No. 3 at Dindigul*: 3.1 Tanned Skins — 3,55,000 skins. (COB). M/s P. Krishnaswamy & Co., 17 Vepery High Road, Periamet, Madras (Tamil Nadu). E. 1. Tanned Goat Skins 4,164 lakhs p a (COB). M/s Rafeed Ahmed & Co., 34 Boardway, Madras-1, (Tamil Nadu) E. 1 Tanned 3.63 lakh pcs. Goat Skins, (2) Wet Blue 14.95 lakhs pcs. Crome Tanned Goat Skins (d) Finished leather 0.86 lakhs pcs. Leather (COB). M/s MM Khallullah and Company, 45 Veprey High Road, Periamet, Madras.=E.1 Tanned Goat Skins 4.58 lakhs Skins per annum. (COB).

LETTERS OF INTENT

Electrical Equipment

M/s Madhya Pradesh Industries Ltd. 7, Council House Street Calcutta-1 (MP) or (Orissa). Dry Cells 60 million nos. p.a. (NA).

Sugar

The District Magistrate District: Champaran (M/s Dhanha Co-op Sugar Mills) (Bihar). Sugar Crushing capacity of 1250 tonnes per day (NU.)

Fermentation Industry

Shri M.O.H. Iqbal, 23 Jawaharlal Nehru St., Pondicherry (Pondicherry) Beer 25,000 h.l. of beer per annum (NU).

CHANGES IN NAMES OF OWNERS OR UNDERTAKINGS

(Information pertains to particular licences only).

For M/s J.B. Advani Oerltikon Electrodes Pvt. Ltd to M/s Advani — Oerlikon Pvt. Ltd. For M/s Glaxo Laboratories (India) Pvt. Ltd, to M/s Glaxo Laboratories (India) Ltd.

LICENCES REVOKED OR SURRENDERED

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M/s Karela Rope & Thread Factories, Pipe Road, Kurla, Bombay-70. AS. Rope thread and Twine.

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RECORDS AND STATISTICS

Monopolies and Restrictive Trade Practices Rules

THE RULES and forms under the Monopolies and Restrictive Trade Practices Act, 1969 have been published. The rules consist of eleven clauses. They specify the fees payable for the notice, applications, inspection registers and obtaining copies of extracts.

In the case of notice under section 21 and applications under sections 22 and 23, every undertaking has to pay a fee of Rs 200 for each notice and application. The fee has to be paid into the Public Accounts of India on any government treasury or into the Reserve Bank of India or any office of the State Bank of India or any subsidiary thereof acting as the agent of the Reserve Bank of of India for credit under Head "L.II. Misc." Every notice and application should be accompanied by a receipt from the bank or at reasury challan evidencing the payment of fees. For applications under section 26 of the Act, every undertaking has to pay a fee of Rs 150 and for applications under section 25, a fee of Rs 50.

Seven forms have so far been prescribed by the government. Forms I to VI are prescribed for notice to be given and applications to be made under the various provisions of the Act. Form VII prescribe the certificate to be given for the purpose of registration of an undertaking under section 26 of the Act. Forms I to VI seek to call for various particulars which the department consider would be necessary for dealing with the approvals required to be given under the Act. The interest of the proprietors, partners, directors and their relatives in the undertaking and inter-connected undertakings, financial interest, voting powers of these persons as well as of the foreign collaborators, financial institutions holding shares in the undertakings are also to be given. Forms also seek to call for various particulars regarding scheme of finance involved in the proposals. The undertaking has to specify in detail the scheme of finance indicating the borrowings from scheduled banks, interconnected undertakings, financial institutions etc. In case any foreign exchange is involved, they are required to give the details thereof.

The rules are given below:

In exercise of the powers conferred by section 67 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), the central government hereby makes the following rules, namely:—

1. *Short title and commencement*—(1) These rules may be called the Monopolies and Restrictive Trade Practices Rules, 1970.

(2) They shall come into force on the date of their publication in the official gazette.

2. *Definitions*—In these rules —

(a) "Act" means the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969);

(b) "form" means a form specified in the schedule to these rules;

(c) "principal officer" in relation to an undertaking means—

(i) where the undertaking is owned by a body corporate—

(A) the managing director of the body corporate, or

(B) any other director, manager or secretary of the body corporate who has been authorised by the board of directors of such body corporate by means of a resolution in that behalf;

(ii) where the undertaking is owned by a firm, any partner thereof;

(iii) where the undertaking is owned or controlled by an individual or association of individuals or persons, any individual who is in charge of the management of such undertaking.

3. *Notice or application to the central government*—Every notice given or application made to the central government under any of the provisions of the Act shall be sent together with six spare copies thereof, to the Department of Company Affairs of that government.

4. *Form of complaints under section 10 of the Act*—Every complaint made under sub-clause (i) of clause (a) of section 10 of the Act shall be signed by a a person authorised in this behalf by the trade or consumers' association or by at least 25 consumers, as the case may be and such complaint shall be accompanied by such documentary evidence in support of the allegations made in such complaint as are available to the persons making the complaint.

5. *Notice under sub-section* (1) *of section* 21—(1) Every notice given under sub-section (1) of section 21 shall be in Form I.

(2) Every such notice shall be accompanied by a treasury challan or a receeipt from the bank evidencing the payment of a fee of Rs 200.

(3) On receipt of a notice referred to in sub-rule (1), the Department of Company Affairs shall record thereon the date of its receipt and shall forthwith communicate such date to the undertaking.

(4) The central government may, before referring the notice to the commission or before passing any order thereon, require the undertaking to furnish, within a period to be specified

REGISTRATION OF COMPANIES

The Monopolies and Restrictive Trade Practices Act, 1969, has come into force with effect from June 1, 1970. Section 26 of the Act requires every undertaking to which Part A of Chapter III applies on the date when the Act came into force to make an application to the central government for registration within 60 days or within such further time as the central government may, on sufficient cause being shown, allow. The applications for registration are to be made in such form containing such particulars as may be prescribed by the rules. The rules and forms were published in the Gazette of India dated July 10, 1970 and are available in the office of the Department of Company Affairs, New Delhi.

The undertakings which are finding it difficult to apply for registration within the prescribed period are advised to apply to the central government for allowing further time and their applications will be duly considered taking into account the fact that rules and forms were published on July 10, 1970.

It is further clarified that applications for registration as well as for extension of time under Part A, Chapter III of the Act are to be made to the central government (Department of Company Affairs), New Delhi.

As regards the agreements relating to restrictive trade practices falling within section 33 of the Act, the date or dates from which such agreements are required to be registered will be notified later under section 35 of the Act. Thereafter, applications for registration of such agreements will have to be made to the Registrar of Restrictive Trade Agreements to be appointed under section 34 of the Act.

by it, such additional information as it may consider necessary.

6. *Application under sub-section* (2) *of section* 22—(1) Every application made under sub-section (2) of section 22 of the Act shall be in Form II.

(2) The provisions of sub-rules (2), (3) and (4) of rule 5 shall be applicable to an application referred to in sub-rule (1).

7. *Application under section* 23—(1) Every application made under sub-section (2) of section 23 of the Act shall be in Form III.

(2) Every application made under sub-section (4) of section 23 of the Act shall be in Form IV.

(3) The provisions of sub-rules (2), (3) and (4) of rule 5 shall be applicable to an application referred to in sub-rules (1) and (2).

8. *Application under section* 25—(1) Every application made under section 25 of the Act shall be in Form V.

(2) Every application referred to in sub-rule (1) shall be accompanied by a treasury challan or a receipt from the bank evidencing the payment of a fee of Rs 50.

9. *Application for registration*—(1) Every application for registration made under sub-section (1) of section 26 of the Act shall be in Form VI.

(2) Every application referred to in sub-rule (1) shall be accompanied by a treasury challan or a receipt from the bank evidencing the payment of a fee of Rs 150.

(3) On receipt of an application referred to in sub-rule (1), the Department of Company Affairs shall note thereon the date of its receipt and shall forthwith communicate such date to the undertaking.

(4) The certificate of registration to be issued under sub-section (2) of section 26 of the Act shall be in Form VII.

(5) Where a certificate of registration referred to in sub-rule (4) is lost, destroyed or mutilated, a duplicate certificate may be granted on payment of fee of Rs 25.

10. *Payment of fees*—Fees payable under the Act or any rule or regulation made thereunder shall be paid into the Public Account of India at any government treasury or into the Reserve Bank of India or any office of the State Bank of India or any subsidiary thereof acting as the agent of the Reserve Bank of India for credit under head "L-II. Miscellaneous."

11. *Inspection of and extracts from the register*—(1) Any person who wishes to inspect the register, other than the special section, shall apply to the Registrar along with a treasury challan or a receipt from the bank evidencing the payment of a fee of Rs 10.

(2) The Registrar may allow the applicant to inspect the register during the working hours either in his presence or in the presence of any person authorised by him in this behalf.

(3) The applicant shall not be permitted to take out extracts of any particulars entered in the register, but may be allowed to take note of any points from the particulars entered in the register.

(4) Any person who wishes to obtain a certified copy of, or extracts from, any particulars entered in the register, other than the special section, shall apply to the Registrar and such application shall be accompanied by a fee of rupee one for every one hundred words required to be copied or extracted.

Performance of Public Sector Banks

A HANDOUT issued by the Press Information Bureau of the Government of India has reviewed the working of the nationalised banks in the first year after their take-over by the state. It shows that the rate of opening of new offices has been nearly trebled; whereas the State Bank of India and the 14 nationalised banks opened per month 48 offices in 1968, their number rose to 127 in the year under review. About two-thirds of these offices are reported to be in the rural areas. The increase in deposits, however, was not very impressive. The increase in the deposits of the public sector banks was Rs 486.2 crores in the year ending June 1970 as against Rs 441.9 crores in the corresponding period of 1968-69.

The full text of the handout follows:

The rate of branch expansion has gone up almost three times since the 14 major commercial banks were nationalised on July 19, 1969. Till the end of June 1970, i.e. in 11½ months since the nationalisation of banks, the public sector banks had opened new offices at an average of 127 per month as against 48 in 1968 and 40 in the first half of 1969. Last month alone about 230 new offices were opened. Currently, the public sector banks are opening about 140-150 offices every month. Table I shows the rate of branch expansion in detail.

Nearly two-thirds of the new offices opened since July 1969, are located at rural centres with a population of less than 10,000. On July 18, 1969 — i.e., the date preceding nationalisation of banks — the prorportion of rural branches in the total number of offices of the public sector banks was 23 per cent (about 17 per cent for the 14 nationalised banks). At the beginning of June, 1970, the proportion had

TABLE I

RATE OF BRANCH EXPANSION

No. of offices	SBI group	14 Nationalised banks	Total for public sector banks
As on 18-7-1969	2,465	4,168	6,633
Opened since 19-7-1969 up to 30-6-1970*	413	1,043	1,456
Opened per month since nationalisation	36	91	127
Monthly average of new offices opened in 1968	14	34	48

*Provisional.

gone up to nearly 30 per cent (25 per cent in the case of the 14 banks).

Deposit Growth

During the period July 1969, to June 1970, the deposits of the public sector banks (excluding inter-bank deposits) went up from Rs 3,874.3 crores to Rs 4,360.5 crores — an increase of Rs 486.2 crores compared with Rs 441.9 crores during the corresponding period of 1968-69. Of this increase of Rs 486.2 crores, the State Bank of India and its seven subsidiary banks accounted for Rs 188.3 crores and the 14 banks acquired on July 19, 1969, Rs 297.9 crores.

Lead Bank Scheme

For the development of banking in a systematic and co-ordinated manner in all parts of the country, each of 335 districts of the Indian Union (excluding Greater Bombay, Calcutta, Madras and the union territories of Chandigarh, Delhi and Goa) has been allotted to one or two major banks — mostly public sector banks — to act as lead bank for a district.

The immediate task of the lead bank of a district is to carry out a survey of the resources and potential of the district from the angle of banking development. To ensure a certain degree of uniformity and intensity in the survey operations, a common basic proforma for the district survey has been recommended by the Reserve Bank. The proforma is designed, broadly, to obtain information relating to the area of the district and its utilisation, irrigation facilities, mineral and forest resources, the main lines of economic activity, development of agriculture, industry, transport, processing and storage facilities, administrative units, population, education and infrastructural development including credit institutions functioning in the district.

In the first pahse of the survey, teams consisting of economic investigators have gone out to a number of districts in different parts of the country. Surveys of several districts have been completed by their respective lead banks. Reports of these surveys for some districts have been prepared while those of others are under compilation. Pending the completion of surveys, the Reserve Bank had set a minimum target of 1,350 centres for 1970 (1,300 for the public sector banks) of which six hundred were to be opened in the first half of 1970. The target of 600 has been far exceeded and in fact the number of branches opened by the public sector banks in the first half of 1970 is nearly 900 (about 570 by the nationalised banks alone).

Table II shows the advances made by the 14 nationalised banks to agriculture and other neglected sectors.

TABLE II

ADVANCES OF 14 NATIONALISED BANKS TO AGRICULTURE AND OTHER NEGLECTED SECTORS

(Rs crores)

		End June 1969	End March 1970	Increase during June 1969 March 1970 per month	Monthly increase during one year June 1968 —June, 1969
1. Direct finance to agriculture (excluding plantations)					
	No. of A/Cs	1,34,849	2,97,670	18,091	9,326
	Amount	26.96	80.71	5.97	1.86
2. Small-scale industry					
	No. of A/Cs	36,301	57,800	2,389	1,202
	Amount	148.45	198.74	5.59	4.03
3. Road transport operators					
	No. of A/Cs	2,527	8,925	711	177
	Amount	6.69	16.41	1.08	0.31
4. Retail trade & small business					
	No. of A/Cs	28,037	70,607	4,730	N.A.*
	Amount	19.22	40.78	2.39	N.A.
5. Self-employed persons					
	No. of A/Cs	422	22,030	2,401	N.A.*
	Amount	0.33	6.51	0.69	N.A.
6. Education					
	No. of A/Cs	594	4,034	382	N.A.*
	Amount	0.46	1.83	0.15	N.A.
Total (1 to 6)					
	No. of A/Cs	2,02,730	4,61,066	28,704	..
	Amount	202.11	344.98	15.87	..
Percentage of advances under the above heads to total advances		11.05	15.97		

*Figures under this head are not available separately for the period prior to June 1969.

Interim Boards for Nationalised Banks

INTERIM BOARDS of directors for the 14 nationalised banks were announced on July 18. The boards are made up of 46 non-officials and 40 official representatives, two of whom are concurrently members of two Boards.

Five of the 14 banks — the Central Bank of India, the Bank of India, the Punjab National Bank, the Bank of Baroda and the United Commercial Bank — have three official and four non-official members on their boards of directors. Eight others — Canara Bank, United Bank of India, Dena Bank, Syndicate Bank, Union Bank of India, Allahabad Bank, the Indian Bank and the Indian Overseas Bank — — have three official and three non-official directors, while one bank — the Bank of Maharashtra — has three official and two non-official directors. Among non-officials represented on the boards are small-scale industrialists, economists and agriculturists.

Custodians will preside over meetings of these interim boards which will be functioning until regular boards of directors are constituted under a scheme to be framed by the union government under Section 9 of the Banking Companies Nationalisation Act.

The names of custodians and directors the 14 nationalised banks are given below:

Central Bank of India

Mr N. Ramanand Rao, Custodian;

Mr V.M. Dandekar, Gokhale Institute of Politics and Economics, Poona;

Mr A.H. Elias, Principal, State Bank of India Staff Training College, Hyderabad;

Mr Brijraj Narain, formerly of Indian Administrative Service, Gwalior;

Mr. G. B. Newalkar, Chairman, Maharashtra Small Scale Industries Development Corporation Ltd., Bombay

Mr M. Narasimham, Secretary, Reserve Bank of India, Bombay;

Mr S.S. Shiralkar, Additional Secretary, Department of Banking, Ministry of Finance, New Delhi.

Bank of India

Mr T.D. Kansara, Custodian;

Mr C.D. Khanna, Chairman, Industrial Finance Corporation, New Delhi;

Mr Manohar Singh Mehta, former member. Public Service Commission, Madhya Pradesh, Indore;

Dr Dharam Narain, Chairman, Agricultural Prices Commission, New Delhi;

Mr G.D. Parikh, Retd. Rector, Bombay University, Bombay;

Mr A. Raman, Director, Credit Planning Cell, Reserve Bank of India, Bombay;

Mr P.D. Kashbekar, Joint Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi.

Punjab National Bank

Mr S.C. Trikkha, Custodian;

Mr Mohd. Abdullah, Handicrafts Exporter, Srinagar;

Dr A.S. Kahlon, Punjab Agricultural University, Ludhiana;

Mr V.N. Kak, Managing Director, State Hotels Corporation, Jaipur;

Mr T.S. Papola, Patel Institute of Economic Research, Ahmedabad;

Mr V.M. Jakhade, Adviser, Economic Department, Reserve Bank of India, Bombay;

Mr A.T. Bambawale, Joint Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi.

Bank of Baroda

Mr M.G. Parikh, Custodian;

Mr H.N. Bhargava, small scale industrialist, Kanpur,

Mr Bhubanesh Chaturvedi, Advocate, Kota;

Mr D.K. Desai, Professor, Indian Institute of Management, Ahmedabad;

Mr H.A. Mohite, Progressive Farmer, Ahmednagar Distt;

Dr C.D. Datey, Chief Officer, Agricutural Credit Department, Reserve Bank of India, Bombay;

Mr M.K. Venkatachalam, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

United Commercial Bank

Mr R.B. Shah, Custodian;

Dr D. Banerjee, Director, National Rubber Manufacturers Ltd, Calcutta;

Dr Upen Bordoloi, Department of Economics, Gauhati University, Gauhati;

Mr Raghunath Mohapatra, Progressive Farmer, Puri Distt. Orissa;

Mr G.P. Sinha, Department of Labour & Social Welfare, University of Patna, Patna;

Miss N.K. Ambegaokar, Director, Economic Department, Reserve Bank of India, Bombay:

Dr Ashok Mitra, Chief Economic Adviser, Department of Economic Affairs, Ministry of Finance, New Delhi.

Canara Bank

Mr K.P.J. Prabhu, Custodian;

Dr C.H. Hanumantha Rao, Institute of Economic Growth, Delhi;

Mr R.C. Keshvamurthy, Progressive Farmer, Madurai Distt;

Mr K.S.R. Mallia. Agriculturist, South Kanara Distt;

Mr K.N.R. Ramanujam, Chief Officer, Industrial Finance Department, Reserve Bank of India, Bombay;

Mr K. Ramamurthy. Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

United Bank of India

Mr B.K. Dutt, Custodian:

Mr K.P. Barua, Managing Director, Assam State Financial Corporation, Shillong;

Rev. Joel Lakra, Social Worker, Ranchi, Bihar

Mr S.K. Sen, Senior Executive, Calcutta;

Mr Ghulam Ghouse, Dy. Chief Officers, Credit Planning Cell, Reserve Bank of India, Bombay;

Mr D.N. Ghosh, Director, Department of Banking, Ministry of Finance, New Delhi.

Dena Bank

Mr R.A. Gulmohamed, Custodian:

Mr M.P. Chitale, Chartered Accountant, Bombay;

Mr Krishna Raj, Journalist, Bombay;

Mr Sooryakant Parikh, Small Scale Industrialist, Ahmedabad;

Mr V.V. Divatia, Adviser, Department of Statistics, Reserve Bank of India Bombay;

Mr S.M. Kelkar, Deputy Secretary, Department of Banking, Ministry of Finance, New Delhi.

Syndicate Bank

Mr K.K. Pai, Custodian;

Mr B.K. Kapur, former Ambassador, Delhi;

Dr M.B. Mohamad, Medical Practitioner and Poultry Farmer, South Kanara Distt;

Mr Swaminatha Reddy, Managing Director, Andhra Pradesh State Financial Corporation, Hyderabad;

Mr V.V. Bhatt, Adviser, Economic Department, Reserve Bank of India, Bombay;

Mr K. Ramamurthy, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Union Bank of India

Mr P.F. Gutta, Custodian;

Mr K.H. Parikh, Industrial Executive, Varanasi;

Mr P.K Sadanandan, Exporter of Sea Foods, Cochin;

Mr H.M. Trivedi, Small-scale Industrialist, Bombay;

Mr D.P. Gupta, Manager, Industrial Development Bank of India, Bombay;

Mr P.K. Kaul, Joint Secretary, Department of Expenditure, Ministry of Finance, New Delhi.

Allahabad Bank

Mr B.K. Mookerjea, Custodian;

Mr M.R. Roy, Managing Director, West Bengal Financial Corporation, Calcutta;

Mr S.N. Srivastava, Former Industrial Adviser to the Government of Bihar, Patna;

Dr M.A. Zaheer, Banaras Hindu University, Varanasi;

Mr T. Tiwari, Manager, Industrial Development Bank of India, Calcutta;

Mr N. Sethuraman, Deputy Secretary, Department of Banking, Ministry of Finance, New Delhi.

Indian Bank

Mr G. Lakshminarayanan, Custodian;

Mr M.A. Kamruddin, Small-scale Industrialist, Palghat, Kerela;

Mr P. Krishnaswamy, Manufacturer of Electronic Equipment, Madras;

Dr B. Natarajan, Economist, Madras;

Mr K.S. Chakrapani, Joint Chief Officer, Credit Planning Cell, Reserve Bank of India, Central Office, Bombay;

Mr M.G. Balasubramanian, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Indian Overseas Bank

Mr R.N. Chettur, Custodian;

Mr Joseph Chackola, Businessman, Cochin;

Mr N.B. Prasad, Engineer, Hyderabad;

Mr M.K. Raju, Senior Executive, Madras;

Miss M. Tyagarajan, Dy. Director, Credit Planning Cell, Reserve Bank of India, Bombay;

Mr M.G. Balasubaramanian, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Bank of Maharashtra

Mr C.V. Joag, Custodian;

Dr V.S. Vyas, Head of the Department of Economics, Sardar Patel University, Vallabh Vidhyanagar;

Dr K.S. Yawalkar, Small Scale Industrialist, Nagpur;

Mr B.B. Shivamaggi, Director, Economic Department, Reserve Bank of India, Bombay;

Dr R.M. Honavar, Additional Economic Adviser, Department of Economic Affairs, Ministry of Finance, New Delhi.

Process Plant Industry in India

THE REPORT of the joint Indo-British team which surveyed the manufacturing capability for process plant in this country was recently submitted to the Minister of Industrial Development, Internal Trade and Company Affairs. The terms of reference of the team included the identification of the key problems affecting the development of the Indian process plant manufacturing industry and the suggestion of ways and means to resolve them. The team was also asked to recommend how the British industry could render assistance in this regard.

The summary of findings and recommendations of the team follow:

(a) General

We have been impressed by the cumulative effect of delays in delivery and of under-utilisation of capacity. These originate partly in the nature of the industry's demand for steel and alloys and the suppliers' response thereto, partly in the difficulties associated with the importation of materials, and partly in an organisational structure that gives inadequate weight to the actual costs of delay.

The position might be improved by the introduction of a general system of advance approval of, say, 50 per cent of the annual value of import licence applications. But more far-reaching measures are needed. The central objective of our recommendations is therefore the improvement of the situation in respect of delays and capacity utilisation; although we also make other recommendations on matters indicated in our terms of reference.

(b) Establishment of a Materials Bank

A materials bank should be established for the process plant manufacturing industry, under the control of the Ministry of Steel and Heavy Engineering. It should be directed by a person of outstanding ability, and should carry a stock determined by the special needs of the industry (an initial stock-list is suggested in the text).

Materials would be available from the Bank immediately upon receipt of an order for the construction of a particular piece of plant. The fabricator would also be required to place an order with a domestic supplier. That supplier would be required to deliver to the Bank by the agreed delivery date, and would suffer penalties for late delivery.

The Bank itself would maintain contact with world producers, and attempt to purchase in bulk quantities on favourable terms.

Finance for the Bank would come from the price differentials between imported and indigenous supplies, extra charges to fabricators for immediate delivery, late delivery penalties, and quantity and delivery discounts.

(c) Import Substitution and Equipment Procurement

An important cause of delays in construction is the delay in procurement of items such as compressors, pumps, valves and instruments. We see the longer-term remedy for this as the development of indigenous capacity through a pre-production order scheme: this is described in more detail in (j).

To improve the immediate position, recommendations are made for the amelioration of the supply situation at a number of specified points that appear to us to be critical.

(d) Project and Plant Management

The need to cope with the administrative demands of the import substitution policy, as well as with the usual difficulties of project control, means that there are very high returns to the positive use of personnel to programme projects and to keep them on schedule. The same is true of internal plant

management. We have seen enterprises whose performance in this respect is satisfactory by any standards. Others are less adequate: the need is to raise the general level to that of the best.

In principle, there is no reason why this should not be done by the expansion of the activities of existing Indian enterprises. Should they not be able to develop fast enough, we recommend that consideration be given to the short-term secondment of skilled personnel under technical assistance. There is also scope for the use by individual enterprises of specialised consultancy services concerned with such matters as production control and work study.

(e) Current Constraints on Output

While it is true that the production facilities exist to make almost all the items needed for the construction of process plant in India, they cannot always be manufactured within a reasonable time in the quantities needed to fulfil a construction programme within a specified period, and in certain cases design and/or know-how may have to be obtained.

There are certain deficiencies in production facilities which could be remedied, with considerable benefit to the efficiency and productivity of the industry. We accordingly recommend the provision of a stock of dies for dished ends, the provision of equipment for the tube and pipe fabrication industry, and the creation of new tube-making capacity.

(f) Availability and Training of Personnel

(i) We have been impressed by the difficulties of recruiting at the foreman level, and by the specific character of the training and experience of skilled operators. We recommend that arrangements be made for short trips (say 1-3 months) abroad by these middle-management/skilled operative personnel, to enable them to visit other firms and research establishments, and perhaps participate in 'refresher' courses.

(ii) Formal contact should be established between appropriate Indian organisations and the UK Central Training Council and Industry Training Boards.

(iii) Consideration should be given to the possibility of recruiting overseas middle-management personnel on short-service contracts, particularly by firms without foreign collaboration facilities. The aim would be to pass on relevant on-the-job experience, not to replace Indian workers.

(g) Research and Development

(i) A fairly substantial research and development effort is needed in the field of welding, casting and forging. We recommend the setting up of an industrial research institute in welding, and that consideration be given to the establishment of others in steel casting and forging. The institute should be closely linked with industry, partly by government, and partly by contract work for companies.

(ii) In the field of process technology, arrangements should be made for better access to information being generated in other countries. Research in India should be industry-oriented, for example by encouraging the National Chemical Laboratory to undertake more industry — sponsored work. A similar adaptation is needed in the case of Indian Institutes of Technology. The development of regional colleges should also be kept under review, to ensure the increasing industrial orientation of post-graduate work.

(h) Standardisation

The Indian Standards Institute should be encouraged to form a small working party from the process industries, to agree upon the urgent publication of a list of preferred sizes of equipment.

A designer in India will benefit by having a limited number of sizes which are in fact available. Priority needs are for the simplification of diameters and lengths of such equipment as tanks, reactors, heat exchangers, column sections and receivers.

(i) Inspection Services

(i) Not absolute perfection, but fitness for purpose, should be the criterion of acceptance of equipment. We recommend that the projected revision of the Indian Boiler Act, which is now inappropriate to the needs of the industry, should proceed with all possible speed. Consideration might also be given to the need for changes in existing arrangements for pressure vessel inspection.

(ii) We recommend that inspection procedures should be simplified, and particularly that unnecessary multiple inspection should be eliminated. The number of qualified inspectors should be increased as a matter of urgency.

(iii) Quality control should be treated as a part of production control. To propagate this, we recommend that the public sector should place orders only with companies who make adequate provision for quality control. Advice and assistance in this regard would be available from agencies such as Lloyds.

(iv) Ultrasonic methods of inspection should be much more widely used. Pending the creation of operation training facilities in India, use should be made of the facilities available in the United Kingdom. Trained operators should be seconded to the United Kingdom to gain practical experience, and use should be made of the facilities of the Non-Destructive Training Centre at Harwell. A nucleus of Indian experts should be created, and attached perhaps to the proposed Welding Research Institute.

(v) Consideration should be given to the establishment of a National Inspection Authority, empowered to grant or withhold official recognition to particular inspection bodies.

(j) Design, Know-how, Spares, Services

Over the near future, it is inevitable that fresh know-how will have to be obtained through collaboration agreements or by direct acquisition. But there is a need to stimulate development by indigenous manufacturers, particularly those without foreign collaborators.

We recommend that, if practical arrangements can be made, the government should stimulate development by such manufacturers, by placing orders for prototypes with them, 'in parallel' with the placing of an import order. This would allow testing of the prototypes without the associated risk of delay in case of failure, and the scheme could be financed at least in part by clawback from successful developments.

We are aware that this proposal may have implications reaching far beyond the process plant industry, although it does not in fact constitute a major extension of existing policies for the stimulation of industrial development generally. We must nevertheless commend it for consideration as the most likely means of dealing with this problem in the case of the process plant manufacturing industry.

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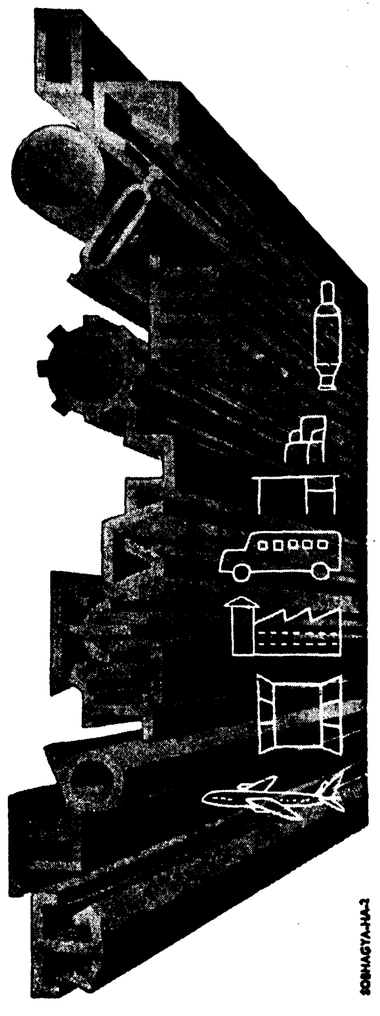

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Man-Made Fibres in the Seventies
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Geneva Talks on Textiles

DEPUTY SECRETARY TO GOVT. (INDUSTRIES)
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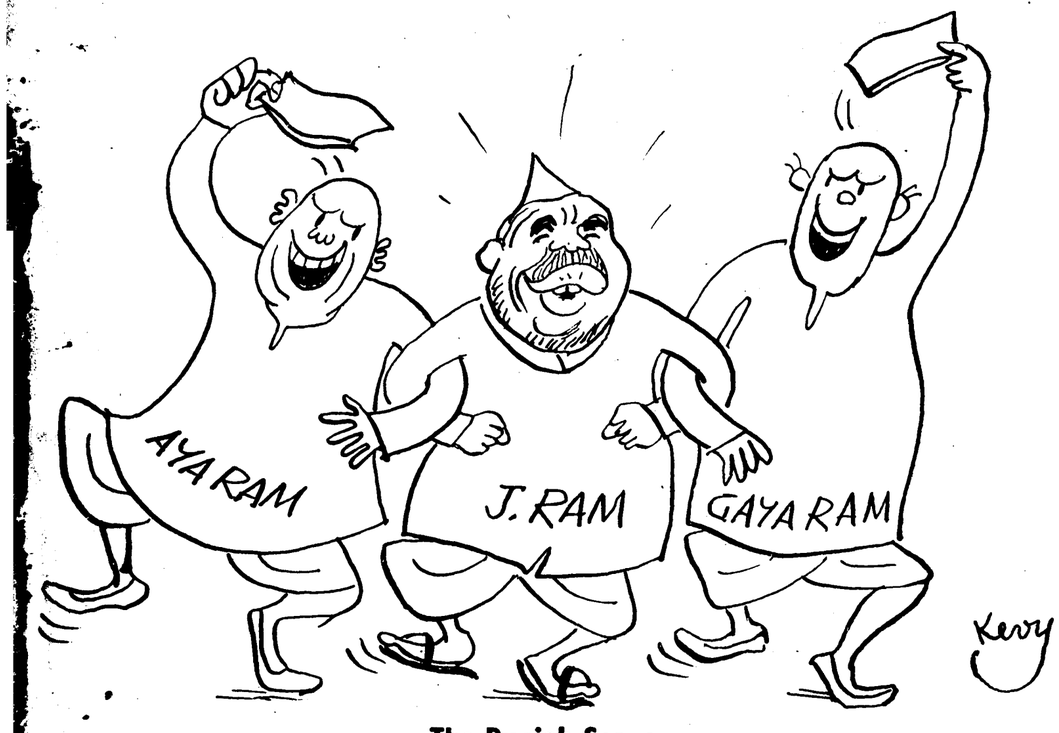

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CLOSED DOOR POLICY ?

A GROUP of financial journalists in the capital was told last week by a Deputy Secretary in the Ministry of Industrial Development that the Government of India no longer looked upon foreign private investment as a vehicle for significantly supplementing domestic savings or securing foreign exchange for the import of equipment. In the view of the government, as stated by this official on this occasion, foreign collaboration is now meaningful only in terms of its being found necessary as a source of sophisticated technology or know-how in which domestic industry or science may be deficient for the time being.

We do not doubt that this official was correctly expressing the government's point of view. In fact, a press note issued by the Ministry of Industrial Development a few days earlier had said that, barring relaxations where clearly justified, as for instance, in the case of export-oriented schemes or projects in the small-scale sector proposals for foreign collaboration would be considered only in the more complicated or newer areas of technology which might not be able to do without imported know-how in the proximate future. This statement included an illustrative list of 121 items for which schemes of foreign collaboration might be examined or entertained by the government.

It should be interesting to know to what extent the government's decision to rule out virtually financial collaboration by foreign entrepreneurs or investors has been prompted by the fact that this country has in fact not been receiving much foreign private capital anyhow. To go back by a few years, the net inflow of both direct and portfolio foreign business investments in the private sector in our country was Rs 81 crores in 1963-64, Rs 104 crores in 1964-65, Rs 74 crores in 1965-66 and Rs 161 crores in 1966-67. It is possible for the government to take the view that these amounts have not been so large that the discontinuance of foreign capital inflow of this order would break the back of the economy of this country or even incommode seriously the progress of our industrialization.

As against this there is the consideration that there is no reason, objectively speaking, why, given appropriate conditions, the industrially advanced economies of the world should fail to contribute more in the future out of their capital surpluses to the investment needs of our country. It follows that the government's intention of writing off foreign capital as a means of supplementing our domestic savings is essentially a product of our policy-makers not being prepared to take the measures which may be necessary for creating the right climate for an increased inflow of foreign investments. Right now this climate has less to do with our tax laws or the earnings prospects of foreign investments than certain policy attitudes on the part of our government which are clearly based on political objections to foreign capital building up a more prominent presence in our economy.

It is necessary that the nation should be assisted in appreciating the economic costs to itself of these political postures taken up by its rulers. In the first place, our country has to find a certain amount of foreign exchange for servicing existing foreign investments. The outflow on this account was about Rs 71 crores in 1966-67 and it should be more now. This country has so far been able to adjust this expenditure of foreign exchange against the much larger inflow of foreign investments. If, as a result of the restrictive policy towards foreign investments which is now being favoured, the inflow of foreign capital is discouraged, the servicing of existing foreign investments will become more and more of a direct charge on our receipts of foreign exchange from trade. This would mean that there would be correspondingly less from our export earnings for financing our essential imports.

There is also the possibility that, as a result of current governmental attitudes, there may be a steady curtailment of scope for the reinvestment of the earnings of existing foreign investments. This would mean that the outflow of foreign capital may tend to increase just at a time when government policies are frowning upon the inflow of new foreign financial investments. These trends will certainly not bring aid or comfort to our balance of payments which is not well-situated to invite pressures of any kind.

There is also the question whether the government's almost total resistance to new financial collaborations between domestic industry and foreign entrepreneurs

or investors will not have the effect of unduly increasing the dependence of the nation on development aid from foreign governments. To the extent the government proposes to deny the nation possibilities of some of its essential requirements of capital goods being financed by foreign private capital investments in our industry, our reliance on intergovernment assistance must grow. At the same time, our government's illiberal approach to foreign private capital may make it more difficult for some of the aiding countries to extend development assistance to us.

The governments, for instance, of Japan, West Germany, the United Kingdom and Sweden seem particularly interested in reserving a good part of their development aid to the sponsoring of collaborations, including equity participation, between their respective business communities and private enterprise in this country. Large amounts of US counterpart funds are being utilised for facilitating comprehensive collaboration agreements between American firms and industrialists in our country. International financial institutions and multinational banks abroad are also interested in contributing resources to such collaborations. It is therefore more than likely that our government's casual attitude towards foreign capital may well have adverse repercussions on the delicate patterns of development aid from foreign governments or other forms of foreign institutional finance.

It is worth noting, moreover, that our government's open opposition to new foreign private investments is being advertised at a time when quite a few countries in the developing world and even outside are displaying a healthy interest in comprehensive collaboration arrangements with private enterprise in our country. In several African and some west European countries Indian capital and enterprise have been able to find local partners. Nearer home, Malaysia is being similarly receptive while some of our leading industrialists have lately been talking hopefully of joint ventures in Iran and Australia among other countries. In our view it goes against the grain of this constructive development in economic co-operation among peoples across national frontiers that our government should become antagonistic to the ingress of savings and entrepreneurial capital from other parts of the world.

Finally, it is surely unrealistic on the part of our government to assume that aid or trade prospects are so reassuring that it can afford to shun supplementary resources for providing adequately for our essential imports of critical materials or capital goods. Recent experience has shown that, as against such relief which our balance of payments may have obtained already, or may obtain in the coming years from improved food production within the country, the National economy is becoming more and more deficient in net exportable surpluses of some commodities while becoming increasingly dependent on imports for part of its requirements of several raw materials for industry. In the circumstances it is surely reasonable to ask how the government is justified in condemning the country to the consequences of a deliberate rejection of such contribution as foreign private capital may be able to make to the raising of the rate of investment in our industrial expansion.

Three Pillars of Friendship

THERE NEED be no doubt whatsoever about West Germany's growing interest in economic collaboration with India. For it is already close, in fact "closer ever than probably most Indians and Germans realise", as Dr Guenther F. Werner, the West German Charge de Affaires, told the fourteenth annual general meeting of the Indo-German Chamber of Commerce in Bombay recently. This collaboration rests on three pillars, according to him. The three pillars he referred to are West German aid to India, Indo-West German industrial collaboration, and Indo-West German trade.

Reference was made on the occasion, both by Dr Ing. B.P. Godrej, President of the Indo-German Chamber of Commerce, and Dr Werner, to each one of these three pillars and some of their observations thereon were quite revealing. As Dr Godrej pointed out, West German development aid to India in 1969-70 aggregated DM 250 million, bringing the total West German aid to India so far to DM 4,755.2 million, and, for the year 1970-71 also, according to him, "India can expect the same amount of aid" (as in 1969-70). This much is more or less generally known. But certain other features of West German aid which are not so well-known were disclosed by Dr Werner. Apart from the fact that German net transfer to developing countries of official and private capital, in 1969, amounted to DM 8.9 billion (Rs 1,780 crores) or 7½ times as much as that of all communist countries put together, it was also much in excess of the one per cent of GNP target set by UNCTAD II — 1.48 per cent to be precise. More or less in conformity with the Pearson Commission (PC) recommendations, West Germany's new development loans have a maturity generally of 30 years (25 to 40 years according to PC) a grace period of eight years and an interest rate of 2.5 per cent (not exceeding two per cent according to PC). A noteworthy feature of all West German aid in 1969 was that outright grants and loans with a grant element of at least 61 per cent constituted almost three-fourths of total official aid commitments. Further, being a prominent advocate of total untying of aid, West Germany's tied loans in 1969 amounted to less than a third of her total loans. Accordingly, Dr Werner was on a fairly good wicket when he discounted the remark, recently made in the Lok Sabha, that West German aid was but another form of export promotion. West Germany, which has herself benefited from foreign aid, is a staunch believer in foreign aid, which explains why, between 1968 and 1972, West Germany's economic assistance to developing countries is proposed to be increased by 11 per cent annually, as compared to a targeted annual rise of only 5.5 per cent in her total federal expenditure. This should be good news to India which has been having a lion's share of this assistance.

Referring to Indo-German joint ventures, Dr Godrej welcomed the continuing West German interest in collaboration with India, as witness the recent Dr Abs delegation to this country, and noted that, last year, more Indo-German joint ventures were sanctioned than Indo-American joint ventures. (28 Indo-German joint ventures — 24 technical and 4 financial — were sanctioned in 1969). This, as Dr Werner observed, "is the most promising way of boosting Indian exports to Germany", in that these joint ventures it is that produce to a significant extent for the markets not only in West Germany but in other EEC countries as well. This is understandable, because such firms are in a better position than others to know the exact requirements of the German markets. It is reassuring to note that, as recommended by the Abs Delegation, Dr Werner also holds that "setting up joint ventures with the specific purpose of exporting a significant part of their production could bring about a considerable expansion of Indian exports to Germany." This, incidentally, is also a condition that the Government of India imposes on joint collaborations.

As per Dr Werner's statistics, up to 1969, as many as 463 collaboration agreements were sanctioned, while 350 collaborations were already working, and this makes West Germany third among the countries having industrial collaboration with India. She is also third with regard to private capital invested in India, though the absolute amount of this investment may be small (DM 168 million). The German Charge de Affaires added significantly: "Both the Indian and the German governments regard this investment as by far too low". It is, in fact, so, as a comparison of Germany investment in Brazil (with a population of only 94 million) and in India (with a population of over 550 million) will show. Thus, West German direct investment in Brazil in 1968 stood at DM 1.2 billion, which is almost eight times of that in India in that year! It should not be difficult to get West Germany to step up her investment in India, although we are not sure whether the present government of India would view with favour the growth of giant companies as in Brazil, be they Indo-German or even solely Indian, for that matter. Also, as things stand, it is a moot point if the Government of India's attitude towards foreign investment will cease to be "ambivalent". It must be conceded that the outcome of a policy of granting limited scope is a limited flow and a limited stake of foreign investment. It may even be that this policy of limited scope involves high economic costs and that India may keep out precisely those foreign industries which are technically most advanced. But, as Dr Werner himself noted, it is not so much economic considerations that prevail today as socio-economic -cum-political considerations with an overtone of ideology to boot. So, not all his exhortation about "a lot of confused thinking about the benefits of foreign investment for the host country" is likely to move our government. Even so, the interesting points he made while on this question are worth noting.

For instance, he dwelt on two views which he considered as mistaken — one, that direct foreign investment is more expensive than a fixed interest loan, and, two, that direct foreign investment involves foreign control over the host country's economy. To illustrate his point, he took the examples of a loan carrying nine per cent interest and of a foreign direct investment earning an after-tax profit of 12 per cent. In the case of the latter, on the basis of a recent Reserve Bank of India study, he further noted that foreign companies normally remit about one half of their net profits, retaining the remaining half for investment in the host country (India). Again, he made the point that remittances emerge only after the investment has become profitable, whereas, in the case of a loan, interest becomes payable right from the date of receipt. Besides these, Dr Werner instanced other advantages of direct investment, such as import of know-how, training of indigenous personnel, access to the parent company's sales network and management, perhaps the scarcest factor of production in the world today. In regard to the second point, he maintained that the position was just the reverse, foreign investment actually giving the host country a leverage on the donor country. Recalling that, in the two years 1965 and 1966, the Federal Republic of Germany had an inflow of direct foreign investment of DM 4,984 million, (almost 18 times the corresponding flow to India — some Rs 531 million between March 1965 and March 1967) which evoked resentment among certain circles in West Germany, he said how both the West German government and economists unanimously held that direct foreign investment was, and continues to be, beneficial to their country. As a result, he noted, the efficiency of the West German economy had greatly improved and the West German economic growth rate also had been stepped up markedly. But, as stated earlier, what matters is not so much Dr Werner's conviction thus, that private foreign investment can greatly contribute to our economic growth, as the readiness of the powers that be in India to share such a conviction.

On the question of Indo-German trade also, Dr Werner had some startling statements to make. He questioned, for instance, the correctness of the point made by many in this country that a trade deficit is bad *ipso facto*. India has an adverse balance in her trade with West Germany, the peak having been reached in 1965-66. In view of this large and persistent deficit, the Government of India decided to cut it to size by restricting imports from West Germany, wherefore the volume of Indo-German trade naturally shrank. But, to Dr Werner, this is not quite the thing to do, at any rate so long as the Indian deficit is more than covered by the West German aid. He thus averred: "It must not be overlooked that aid in real rather than in monetary terms can only be transferred *via* a trade deficit. If trade is balanced, as it is, with the east European countries, there can be no net aid in real terms. As long, therefore, as India considers capital import to be useful for speeding up development, she has to plan for a trade deficit equal to the desired amount of net aid". Well, here is something for our government to ponder over.

To do Dr Werner justice, we must also add that he was not for any slackening of efforts on our part to push our exports. In fact, he said: "Allowing of a trade deficit, of course, does not at all imply that India should not make every effort to boost her exports and thus simultaneously to widen the scope for her imports." And, in this context, he alluded approvingly to the joint efforts of both the West German and the Indian governments, such as the setting up of a joint Engineering Export Promotion project, a project which he described as "unique in the history of world trade". To quote him, "here, for the first time, a country spends energy and money not to promote its exports but its imports!" Notwithstanding this, he was objective enough to admit that this was not altogether "altruistic", in that more imports by India meant more exports for West Germany.

While on Indo-German trade, both Dr Godrej and Dr Werner seemed to suggest that the Government of India's statistics were more or less incomplete. The latter clarified the point when he observed: "Indian trade statistics don't take into account indirect trade *via* third countries. Consequently, since West Germany's indirect imports from India considerably exceed her indirect exports to India, Indian trade statistics exaggerate the extent of the Indian deficit". Taking into account this indirect trade, we are told, the

Eastern Economist 25 Years Ago

AUGUST 3, 1945

Following the news that the Egyptian Government has approached the British Government for a revision of the 1936 Treaty, comes the news that the Egyptian Finance Minister threatens to resign, if the British Government does not agree to the abolition of the British Cotton Export Control Committee. The British Government has been till now purchasing the whole of the Egyptian crop and crediting the purchase price to the account of the Egyptian Government in blocked sterling, which has by now swollen to £ 400 million. This phenomenon is very much similar to what we are familiar here and is in fact common to the whole of the Middle East. Wherever the British are in effective political control, they behave just in the same manner. It is really a political problem. That is the reason why all political parties in Egypt have demanded a revision of the 1936 Treaty. The Iranian Delegation made a similar request during its stay in London. The solution lies in the withdrawal of military control. The Egyptians have found by experience that their independence amounts to pretty little in the presence of British troops on the Egyptian soil and in full military control of the Suez and the Nile. Hence the Egyptians have demanded a revision, though it is due only in 1956.

Indian deficit in 1968-69 was not Rs 932 million, but only Rs 572 million, or as much as Rs 360 million less! (German aid in 1968-69, by the way, was more than this). This, again, is an aspect that our government should look into. For, if such large volume of trade between India and West Germany has been passing through third countries, some countries importing from India must be finding it possible to export to West Germany after adding their own margin of profit. Otherwise, i.e. if these countries are taking goods from India and under-selling us in countries with which we have already established trade relations, then, they must have some ulterior motives, if not to disrupt our normal channels of trade, as there have, in fact, been frequent allegations in respect of re-exports by some east European countries with whom we have rupee payment agreements.. Anyway our Foreign Trade Ministry must go into this question fully and try to put an end to any such unhealthy trend.

New Threat from Pakistan

IN A press note issued on July 16, the Indian Jute Mills Association drew attention to the further deterioration in our jute industry's position in the world market *vis-a-vis* Pakistan. This has happened because of the increase in Pakistan's bonus voucher on the export of jute goods from 30 per cent to 35 per cent. As a result, Pakistani exporters have started offering a discount of 50 per cent on Indian quotations for sacking goods. The price advantage will now increase from Rs 1073 to Rs 1425 per tonne for hessian, from Rs 983 to Rs 1178 for sacking, and from Rs 1568 to Rs 1965 for carpet backing. The IJMA has pointed out that unless the Government of India offers a substantial counter-subsidy immediately Pakistan will rapidly capture the bulk of India's export business in carpet backing along with what remains in this country's hessian markets.

Pakistan's decision to improve the competitive capacity of its jute industry by enhancement of the bonus voucher is hardly surprising. The jute industry in Pakistan has always received prompt and generous assistance from its government in various forms and, as a result, its exports have shown a steady and spectacular increase. Export of jute goods as a percentage of production went up from 74 in 1960 to 85 in 1968, as shown in the table below.

(000 tonnes)

Year	Production	Exports	Exports as percentage of production
1960	257	191	74
1961	249	205	82
1962	285	233	82
1963	313	234	75
1964	295	234	80
1965	369	282	77
1966	432	362	84
1967	438	371	85
1968	539	454	85

SOURCE : Statistics of the Pakistan Jute Mills Association.

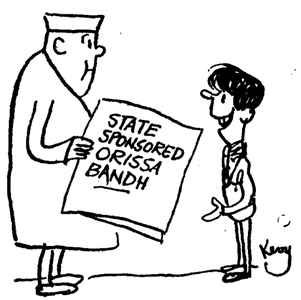
Pakistan's export of carpet backing has been particularly significant. In 1963 Pakistan's export of carpet backing amounted only to 2200 tonnes. In 1964 there was a sharp increase to 6600 tonnes. Since then there was a considerable and continuous increase in exports to 14,400 tonnes in 1965, 20,000 tonnes in 1966, 24,900 tonnes in 1967 and 35,000 tonnes in 1968.

In contrast, the performance of India's jute industry has been far from satisfactory. The production of jute goods in India stood at 1,081,000 tonnes in 1960 and in 1968 it was 1,106,000 tonnes, which means virtual stagnation. It is relevant to recall that in 1965 our production stood at 1,335,000 tonnes. Our exports have also declined from 810,000 tonnes in 1960 to 671,000 tonnes in 1968, though in 1964 and 1965 they stood at 931,000 tonnes and 929,000 tonnes respectively. The decline in exports in relation to production was from 74 per cent in 1960 to 61 per cent in 1968. Our export performance in carpet backing has however been impressive from 35,000 tonnes in 1960 to 180,000 tonnes in 1968.

In regard to sacking it is significant that while India's exports declined from 313,000 tonnes in 1960 to 94,000 tonnes in 1968, exports from Pakistan rose from 124,000 tonnes to 243,000 tonnes in this period. Our hessian exports fell from 396,000 tonnes in 1960 to 338,000 tonnes in 1968 while those of Pakistan jumped from 62,000 tonnes to 155,000 tonnes.

New Delhi is not unaware of these figures and their significance. Nevertheless, its policy towards our jute industry continues, by and large, to be one of indifference. In April this year at the annual meeting of the IJMA, the chairman observed that it was "the persistent assistance given by the Pakistan government to its jute industry which has tilted the balance in its favour demonstrably and effectively". He suggested that if India was not to be eliminated altogether from the field of sacking and hessian, we should make "a determined effort, in partnership with the government, to reverse the present trends". But these appeals and alarms seem to have had little effect on the Government of India. Its unhelpful attitude is reflected not merely in its stubborn resistance to the abolition of export duties but also in its failure to bring about a steady improvement in the production and productivity of raw jute. The Planning Commission has observed in the fourth five-year Plan that at present only about one-third of the area under jute is covered by improved seeds and only about one-fourth of the area of jute cropped is fertilised. It has suggested that there is urgent need for a purposeful extension programme directed towards a more widespread use of fertilisers and improved seeds and has expressed the view that an increase in the yield of raw jute by 25 per cent is required for achieving the Plan's target. But will the central government and the state governments concerned who have shown little enthusiasm for stepping up the productivity of raw jute be inclined to take energetic action at least during the fourth Plan?

Pakistan's action in making its exports attractive has come at a time when the export of Indian jute goods has been held up on account of the dislocation in the Calcutta port. The IJMA has estimated that the jute industry has incurred a loss of Rs 19 crores in foreign exchange as a result of the hold-up of the jute cargo. It has warned that many foreign markets may have been lost permanently on account of customers diverting business to Pakistan or switching over to synthetics. The Indian jute industry has been constantly alerting New Delhi not merely about the threat from Pakistan but from synthetics as well. As recently as April this year, the industry pointed out that because of lack of buying interest in the USA, synthetic backing producers were offering various inducements to their buyers, including guaranteed maximum price for a long period, and delivery in accordance with manufacturer's production programme.



Sounds socialistic

Now that Pakistan has intensified its competition, the time has surely come for the Government of India to shed complacency in regard to the problems of the jute industry. Action in the form of a counter-subsidy and in other ways is called for not merely to save a major industry from disaster but to protect the employment of several millions of people in West Bengal. Nearly four million agricultural families are estimated to depend on jute cultivation for their chief source of income. Besides, the industry employs about 240,000 workers and thousands of others are involved in the various aspects of the jute trade. Jute goods account for about 40 per cent of all the export cargo passing through Calcutta port. It is all the more important therefore that the problem of improving the competitive capacity of our jute industry should receive immediate and imaginative attention from the Government of India.

State Loans and After

THE SUCCESS of the borrowing programme of the state governments for 1970-71 is a clear indicat on of how determined management by the Reserve Bank of India of the floatations of the loans can result in a sizable diversion of funds to the public sector irrespective of the state of the money market. But for the nationalisation of banks, the subscriptions for 15 state loans would not have been so encouraging and it would not have been possible to borrow a larger net amount than when the banks and other credit institutions had larger surplus resources at their disposal.

Obviously, the nationalised banks, the Life Insurance Corporation, provident funds and trusts have lent sizable support to the various loans and the lists could be closed virtually on the opening day. While the announcement about the closing of 10 loans was made within three hours after opening on July, 15, the Reserve Bank stated even before the commencement of banking hours on July 16, that all the remaining loans had been fully subscribed. In 1969, all the loans were over-subscribed within two hours as the state governments came on the market much later in the year and conditions in the money market were more comfortable.

The paucity of funds on the present occasion has not, however, been a disadvantage to the borrowers as total subscriptions amounted to Rs 163.53 crores against the notified amount of Rs 142.50 crores. Cash subscriptions accounted for Rs 130.89 crores and conversion applications for Rs 32.64 crores. The amount accepted was Rs 157.06 crores. Allowing for maturing loans of Rs 57 crores the net amount borrowed will be Rs 100.06 crores against only Rs 80.74 crores in the previous year even with heavier subscriptions. Then, 15 state governments asked for a gross amount of Rs 155 crores. Subscriptions were received for Rs 183.66 crores, of which Rs 46.36 crores was secured by way of conversion applications. The amount accepted was Rs 170.13 crores and the net amount borrowed was Rs 80.74 crores, as stated above, there being maturing loans for Rs 89.39 crores.

The immediate strain on the money market will be more keenly felt as the amount involved in respect of two maturing loans, those of Maharashtra and Bihar, for Rs 10.20 crores will have to be repaid only on September 3 and October 13 respectively. Only 10 loans, outstanding to the extent of Rs 46.80 crores fell due for repayment on July 15.

It is true that there was no immediate increase in interest rates. But this was due to the fact that the adjustments by the central and state governments were carried out slowly and there was anxiety to relieve the pressure on the money market by expediting payments against outstanding government bills. These procedures, however, cannot afford any substantial relief to the banking system as the current slack season has not run true to form so far. Actually the anticipated additions to the surplus resources of the banking system prior to the floatation of the state loans, did not materialise because of the need for the Food Corporation of India to continue its procurement operations vigorously.

During the week ended July 10, net advances of scheduled commercial banks rose by Rs 45.01 crores against an increase in net deposits by Rs 32.43 crores. It became, therefore, necessary to reduce cash balances. If there was a drop in borrowings of these banks from the central banking institution in the same week to Rs 253.33 crores from Rs 283.96 crores, it was due to special adjustments carried out by the central government. There is reason to believe that some part of the liability of the Food Corporation of India to the banking system was taken over by the centre as investments of the Reserve Bank of India in its banking department in the week under reference increased to Rs 116.38 crores from Rs 92.52 crores along with a drop in borrowings of scheduled commercial banks from the Reserve Bank to Rs 254.13 crores from Rs 290.58 crores.

There has, therefore, been a lot of window-dressing and on present indications there is no prospect of a distinct improvement in money conditions in the coming months. The additions to bank deposits have not so far been at a faster rate than in 1969 in spite of the opening of a large number of branches in new areas. The restrictive credit policy of the Reserve Bank has probably been responsible for a diversion of funds from the banking system to industrial units. These have been making vigorous efforts to mobilise deposits on their own account and they accept also loans in order to overcome the difficulties created by the tight-fisted policy of the monetary authorities. If there was a growth in bank deposits on the scale of last year even with these diversions it should be said that the pace of monetisation of the economy is getting accelerated. With the central government due to complete its second stage of the borrowing programme for 1970-71 by September and the state electricity boards, statutory financial corporations and public bodies also anxious to raise their requirements, it is difficult to say how the scheduled commercial banks will be able to reduce their borrowings as fresh additions to bank deposits will have to be almost fully earmarked for being invested in new loans.

It is likely that the Food Corporation of India will not be able to reduce its stocks of wheat significantly in the lean months as the outlook for the kharif crops is encouraging with good rainfall all over the country and adequate stocks of foodgrains are held by traders. The contraction in advances against foodgrains may not, therefore, be sizable. An improvement in the over-extended position of the banks can thus take place only with a contraction in advances against sugar and other commodities. The Reserve Bank will, therefore, have to make available refinance facilities liberally and serious difficulties may be experienced in the 1970-71 busy season if the efforts to mobilise deposits on an emergency footing do not yield spectacular results and it becomes also necessary to expand credit for meeting the needs of borrowers in the priority sectors.

Man-Made Fibres in the Seventies

S. P. CHOPRA

AT the seminar on man-made fibre industry held in the capital on July 14 under the auspicies of the Association of Man-made Fibre Industry (AMFI), there was near-unanimity in regard to the important part which this industry can play in revolutionising clothing habits in this country. Dr Triguna Sen, Minister for Petroleum, Chemicals and Mines & Metals, who inaugurated the seminar, said that it was "our duty to ensure that such a revolution does take place". At present the contribution of the man-made fibre industry to clothing requirements in this country is relatively small. It has been estimated that the per capita availability of fabrics from 1963 to 1969 was, on the average, 16.80 metres a year in terms of cotton equivalent out of which the share of the man-made fibres was 1.90 metres or about 12 per cent of the total. Because the output of cotton in our country falls short of demand, increasing use of man-made fibres will relieve the pressure on our foreign exchange reserves a part of which has hitherto been used for importing cotton. Moreover, as emphasised by Mr. S. P. Mandelia, President of the AMFI, it will help in bringing additional land under the cultivation of food crops by releasing it from the necessity of producing cotton for meeting growing clothing needs.

Global Trends

The global production trends indicate that raw cotton has been steadily yielding place to man-made fibres. In 1961, the share of raw cotton in the total world production of textile fibres was 66 per cent followed by man-made fibres at 24 per cent and raw wool at 10 per cent. In 1968, the latest year for which figures are available, that share of raw cotton had dropped to 56 per cent while that of man-made fibres had risen to 36 per cent. Even raw wool had suffered to the tune of two percentage points. Among the man-made fibres, viscose cellulosics (rayon yarn, polyester staple fibre and acrylic yarn) which have progressed much faster than cellulosics (viscose filament yarn, viscose staple fibre, acetate filament yarn and acetate staple fibre). Between 1961 and 1968, the world production of non-cellulosics rose by more than four times from 332 million kg in 1961 to 3,768 million kg in 1968, but the output of cellulosics rose from 1,692 million kg to 2,534 million kg during the same period under review. It was in 1968 that the non-cellulosic fibres had scored in production over cellulosics.

In our country, however, cellulosics are ahead of non-cellulosics. Last year, the production of cellulosics was 90.8 million kg as against 13.8 million kg. of non-cellulosics (Table I). Among cellulosics, viscose staple fibre claimed the largest share at 58.[illegible] million kg. Gwalior Rayon alone produced 55.0 million kg. of viscose staple fibre. The cellulosics enjoy one advantage over non-cellulosics in that a high proportion of the raw materials is available in the country. Gwalior Rayon has set up a unit in Kerala which produces pulp from bamboos. Travancore Rayons uses tot-lines while South India Viscose produces rayon grade pulp from eucalyptus grown in Tamil Nadu. In other words, nearly two-thirds of our requirements of pulp for cellulosics can be met from indigenous sources while the remaining one-third has to be imported from abroad, especially high grade pulp for manufacturing tyre cord. For non-cellulosics, the entire requirement, both caprolactam and DMT, has hitherto been imported from abroad.

Future Growth

The future growth of this industry depends to a large extent on the availability of raw materials. For the manufacture of rayon grade pulp from these raw materials, bamboos and eucalyptus are basic requirements. It is worth noting that Gwalior Rayon has achieved the manufacture of rayon grade pulp from these raw materials and thus successfully accomplished an outstanding feat of import substitution. Since bamboo is also used for paper and the demand for paper is rising at a fast pace, it is feared that the supply of raw material for rayon might be in short in the near future. The seminar under the auspices of the Food and Agriculture Organisation of the United Nations, Dr M. D. Parekh has analysed this question in detail in its study Man-made Fibres in the 70s" and has come to the conclusion that "because of the importance of rayon in the economy of the country we believe that should there be a shortage of forest produce in future rayon industry should not suffer. We are therefore of the opinion that the expansion programme should be so planned that it should be manifestly adjustments carried out by the central government in the needs of borrowers in the governed by the requirement and economy of the country as a whole". The committee based its conclusion on irrefutable facts. One hectare of eucalyptus plantation will yield, it has been estimated, through pulp and rayon

TABLE I

UNIT-WISE PRODUCTION OF MAN-MADE FIBRE IN INDIA IN 1969

(Production in 100 kgs)

A. CELLULOSICS	
1. Viscose filament yarn	
Baroda Rayon	29,11
Century Rayon	106,42
Indian Rayon	22,46
Keoplam Rayon	41,62
National Rayon	86,10
J. K. Rayon	27,07
South Indian Viscose	34,05
Travancore Rayon	19,19
	366,02
2. Viscose staple fibre	
Gwalior Rayon	549,93
South India Viscose	31,86
	581,79
3. Acetate filament yarn	
Sirsilk	15,37
4. Acetate staple fibre	
Sirsilk	4,61
Cellulosics—Total	907,79
B. NON-CELLULOSICS	
1. Nylon yarn	
Century Enka	1,21
Garware	6,93
Modipon	20,57
Nirlon	19,61
J. K. Synthetics	30,64
	78,96
2. Polyester yarn	
Nirlon	1,62
J. K. Synthetics	42
	2,04
3. Polyester staple fibres	
Chemicals and Fibres of India Ltd	57,38
4. Acrylic yarn	
J. K. Synthetics	34
Non-cellulosics, Total	138,72

SOURCE: Man-Made Fibres in the '70s (Report of the Seminar committee).

plant no less than 2.25 tonnes of textile yarn while for bamboo plantation the yield in terms of yarn will be half of this quantity. In the case of cotton, however, yarn obtained from a hectare of land is around 105 kg. It follows that each hectare of land under bamboo or eucalyptus plantation is equivalent to 10 to 20 hectares of land under cotton. Every hectare of land brought under one of these plantations releases 10 to 20 hectares of land under cotton which can be used for other purposes such as the cultivation of foodgrains.

Keeping the above facts in view, the committee has forecast that the demand for viscose staple fibre would rise to 120,000 tonnes in 1973-74 as against the modest target of the Planning Commission at 90,000 tonnes. The fifth five-year Plan target has been tentatively fixed at 200,000 tonnes (see Table II). Similarly, the combined demand for viscose filament yarn and acetate filament yarn has been forecast at 60,000 tonnes for 1963-64 as against the Planning Commission's target of 64,000 tonnes. This small difference in the latter case is not of much significance.

The demand for non-cellulosics has been growing in recent years because of the growing preference for synthetic fibre fabrics both in the rural and urban areas. Studies made by the National Council of Applied Economic Research, the Market Research Division of the Textile Committee and the Silk and Art Silk Mills Research Association have pinpointed four important factors which have stimulated the demand for these fabrics. They are: (i) Income effect—higher the income, proportionately more the expenditure on synthetic fabrics; (ii) Age effect—younger the age, higher the preference for synthetic fabrics; (iii) Location effect—increasing industrialisation and urbanisation implies growing liking for synthetics; (iv) Occupation effect—as more people move from primary to secondary and secondary to tertiary occupat ons, preference for synthetics increases.

In addition, there is a rising scope for the utilisation of synthetics for non-apparel purposes such as furnishings, tapestry, carpets and industrial uses such as tyre cord, fishing nets, ropes and conveyor belts. Mr V. Sagar (of Nirlon Synthetic Fibres Chemicals Ltd) who was a member of the seminar committee and who explained at the seminar the basis adopted for projecting the demand for non-cellulosics, summed up the findings of the committee in these words: "Keeping in view the limitations of foreign exchange, the availability and prices of various textiles now prevailing in the country, and extremely low increase in the per capita income at constant prices during the last seven years, we believe a target of production of 38,000 tonnes of synthetic fibres at the end of the fourth Plan, may be considered realistic. Out of the above figure of 38,000 tonnes, about 20,000 tonnes may be taken for nylon, a minimum of 15,000 tonnes for polyester fibre and about 3,000 tonnes of other fibres such as acrylics and PVA".

But it will be hard to reach these

TARGETS FOR MAN-MADE FIBRES AT THE END OF FOURTH AND FIFTH PLANS

	Fourth Plan				Fifth Plan	
	Actual production in 1969 '000 tons	Targets of Planning Commission '000 tons	Suggested targets by Development Council '000 tons	Suggested targets in S.C. Report '000 tons	Suggested targets in S.C. report	
					Minimum '000 tons	Maximum '000 tons
A. TEXTILES						
1. Cellulosics						
1.1 Viscose staple regular 1.2 Viscose staple polynosic	58.2	90.00	110.00	120.00	200.00	200.00
1.3 Viscose filament yarn 1.4 Acetate filament yarn	38.1	64.00	64.00	60.00	76.00	76.00
2. Non-Cellulosics						
2.1 Synthetic staple						
2.1.1 Polyester	5.6	12.00	24.50	14.00	32.00	46.00
2.1.2 Nylon		1.80	—			
2.1.3 Polyproplene		—	3.00			
2.1.4. Acrylic		12.00	12.00	4.00	8.00	8.00
2.1.5 PVA		10.00	10.00		10.00	10.00
2.2 Synthetic filament						
2.2.1 Polyester 2.2.2 Nylon	7.5	14.2 } Pohy-ester Nylon	12.00 22.5 }	14.00 }	25.00	30.00
2.2.3 Others		—	—	—	—	6.00
B. INDUSTRIAL						
1. Visccose filament	14.0	*		20.00	22.00	22.00
2. Nylon/Polyester filament	Small quantity	13.00	13.00	7.00	13.00	15.00

*May have been included in rayon filament targets.

SOURCE: Man-made Fibres in the '70s. (Report of the Seminar Committee).

targets unless the raw materials for non-cellulosics, namely, caprolactam and DMT are produced within the country. As stated earlier, both of these are being imported at present. Action has already been taken so as to set up capacity for the production of both caprolactam and DMT. The Gujarat State Fertilizer Corporation is engaged in setting up a plant for producing 20,000 tonnes of caprolactam every year while the Indian Petro-chemical Corporation is setting up a unit for DMT of 24,000 tonnes capacity a year. Both these plants located in Gujarat are expected to start production in 1972-73. It follows that in the last year of the current Plan period, we will not be required to import any of these raw materials. It is time that the industry started urging the government to take steps for the establishment of one additional unit each for caprolactam and DMT so that the growing demand for synthetics could be met adequately in the fifth Plan period as well.

While inaugurating the seminar, Dr Triguna Sen had made a pertinent reference to the price policy pursued by the manufacturers of man-made fibres. He said: "Today, the prices of these fibres elsewhere in the world are competitive with the prices of natural fibres. And this has perhaps happened because manufacturers have appreciated that their future depends on an enlightened price policy—a restraint in current prices and profitability to ensure really rapid growth of the market, combined with heavy expenditure in research and development, to improve quality, and find economies in manufacture and marketing. Why this then cannot happen here too?"

Fitting Answer

An answer to this query by the minister was provided by Mr V. Sagar of Nirlon Synthetics who explained that in the case of a popular printed georgette sari costing Rs 52 or Rs 10.40 a metre in a retail shop, the weight of nylon yarn was about 40 grams whose cost, exclusive of excise duties, was no more than Rs 1.78 a metre, or 17 per cent of the total price of Rs 10.40 a metre. In the case of polyester, the cost of fibre was no more than 11 per cent of the total cost of a metre of fabric, added Mr Sagar. What is more, yarn prices of man-made fibres are already on the decline and with increasing size of this industry, the prices of fabrics made from man-made fibres cannot but fall.

The performance of this industry has been far from flattering on the export front. During 1963-64, the export earnings of this industry were as high as Rs 10 6 crores but in 1968-69, the value of exports had dropped to Rs 3.5 crores only. In 1969-70 the exports are reported to be of the same value as in 1968-69. How is it that at a time when world markets for man-made fibres, yarns, fabrics and garments are expanding, our industry is not in a position to take advantage of it? An answer to this question was provided at the seminar by Mr N. M. Jain of Gwalior Rayon who said: "The uneconomic sizes of our plants push up our cost of production. Similarly, high import duties, taxes and various levies at different stages also reduce our competitive ability. These difficulties can be solved by allowing larger plants and liberal expansion in the existing plant capacities. Manufacturers in developed countries also have elaborate development and research facilities supported by huge volumes of their turnover, which Indian manufacturers are lacking."

It will be possible for this industry to increase its exports only if steps are taken by the government to remove hardships. Mr Jain spelt out a seven-point programme for increasing our exports which included (i) measures for the recovery of losses by our exporters, (ii) institution of export incentives, (iii) a suitable draw-back scheme in relation to sales taxes, interstate taxes etc., (iv) continuous market research, (v) establishment of sales offices and branches abroad, (vi) consortium approach to marketing abroad, and (vii) provision for special export freight rates.

While no precise estimates have been made by the seminar committee in regard to exports of man-made fibre industry, Mr Jain was of the view that if the industry and the exporters evolved a programme to boost exports, it would be possible to raise exports of this industry to Rs 32 crores in 1973-74, (Rs 20 crores of fabrics and clothing, Rs 2 crores of tyre cord and Rs 10 crores of fibres and yarn). But these are no more than guesses as no effort has been made so far—as admitted by Mr Jain—to conduct scientific market research.

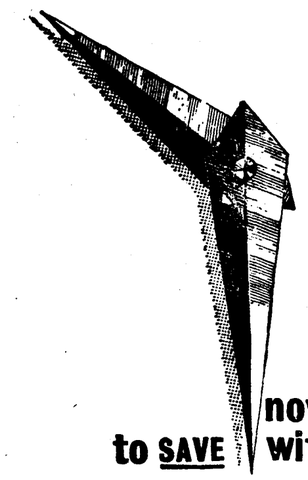
Now General Insurance ?

R. V. MURTHY

THESE ARE days of 10-point (for state parties, the number is even more, as witness the 35-point programme of the Bihar united front government) and time-bound programmes, and each political party vies with the other in putting forward such programmes mainly, of course, with a view to catching popular imagination. It may not be far wide of the mark to say that few, if any, who flaunt such programmes take the trouble to do their home-work adequately, if only to satisfy themselves about the feasibility of each and every item embodied in these programmes. Perhaps the cynical citizen will say this is too much to expect of the generality of our politicians. Be that as it may, what amazes one is how even some of our seasoned politicians allow themselves to get caught in such tight corners, as, for instance, Mr Y.B. Chavan, who is now confronted by the dilemma whether to nationalise general insurance or not. May be, when he full-throatedly supported the demand for nationalising general insurance, he did not bargain for the Finance Ministership and, therefore, for the actual responsibilty of implementing the proposal. It, therefore, remains to be seen whether, in the event, he will succumb to the pressure of slogan-shouting socialists in his party or, the shrewd man he is, he will succeed in dissuading them from proceeding along the perilous path they have pompously prescribed for themselves.

The Committee of the Indian Merchants' Chamber, Bombay, (IMC) which submitted a memorandum on the subject to Mr Chavan a few days ago, it seems, still nurses the hope that he may do the latter, although he only patiently listened to the IMC president, Mr S.P. Godrej, and reportedly refrained from revealing his reactions to the memorandum. Intriguing as this is, recent reports make the position positively disturbing. It is suggested, for example, that the union cabinet has already taken the decision to nationalise general insurance and that an official announcement to this effect is expected any time. According to one daily newspaper, matters have in fact reached such an advanced stage that general insurers have all but reconciled themselves to the worst inevitable. Does it then mean the relevant bill has already been drafted to be introduced in the Lok Sabha when Parliament reopens on July 27, or is it going to be one more ordinance as in the case of bank nationalisation? These are being openly posed today.

For my part, I feel that these are at best speculative thoughts. Though a section of opinion, especially in the ruling party, may be strongly in favour of nationlising general insurance, the problem is not that simple as to admit of any hasty decision. More than in the case of banks, the international implications involved in this case are quite far-reaching. There are as many as 67 foreign general insurance companies and, while their



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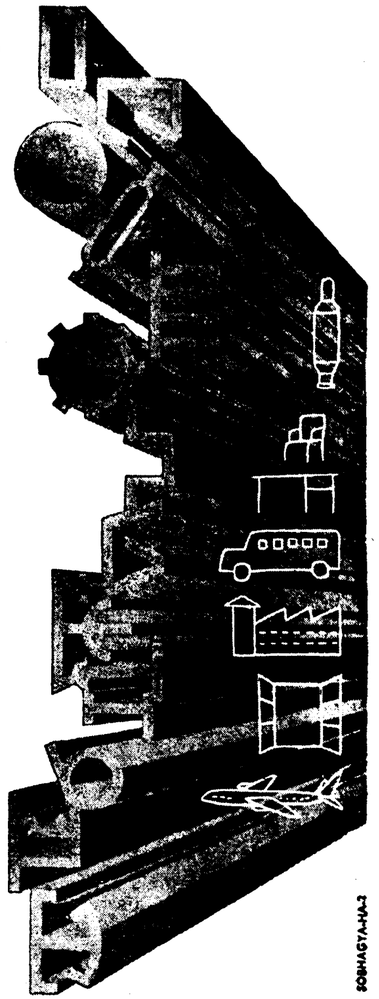

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aggregate business today may be only in the region of 16-20 per cent of the total volume of general insurance business underwritten in the country, their role as re-insurers of the bulk of foreign business of Indian general insurers cannot be underestimated. Then there are the problems that may arise by reason of probably retaliatory measures in countries where Indian general insurers have been operating. In short, nationalisation of general insurance will, instead of helping this country's trade and industry, add to the burdens of an already heavily hard-pressed government. Nor will it prove to be a *Kamadhenu* (if the powers that be have any such illusions) for financing the fourth five-year Plan, the average annual net profits being no more than about Rs 2.5 crores, which may further shrink after nationalisation.

The Main Question

In view of all these, I think it is too premature yet to speculate on what form nationalisation may take, such as, will it be as in Ceylon and so on. The more appropriate question that everyone, including the government, must ask today is: Is nationalisation of general insurance called for at all? As we have stated ere now in these columns, it is not, especially after introducing social control and, more particularly after the amended Insurance Act became effective on June 1, 1969. It may be added here that the latest amendments followed a very careful and detailed examination of the subject by the authorities themselves. The present provisions of the Insurance Act, as the IMC memorandum has pointed out, "are far-reaching and vest adequate powers in government to regulate and control the industry in any desired manner." How far-reaching and comprehensive these provisions are will be evident from the following extract from the presidential address of Mr M.R.B. Sheth at the last general meeting of the Indian Insurance Companies' Association held in Calcutta in May last.

"Reduction in premium rates in the fire department up to 30 per cent; reduction of agent's commission from 15 per cent to 5 per cent in fire; 10 per cent to 5 per cent in marine and 15 per cent to 10 per cent in accident business; restriction on voting rights to 5 per cent per person; stipulation to keep 75 per cent of the assets only in approved investments, the balance 25 per cent being under the close scrutiny of the Controller of Insurance who can direct realisation of any such investments; restriction of investments in one company to 10 per cent of the insurance company's assets or 10 per cent of the share capital and debentures of the company; prohibition of investments in private companies; restriction of deposits with one bank to 10 per cent of assets; stipulation that 90 per cent of the assets of an insurance company be held free from any charge, hypothecation or lien, requirements regarding utilising only surveyors licensed by government for settlement of claims; prohibition against opening new places of business without the prior sanction of the Controller of Insurance; increase in the statutory deposits from Rs 3½ lakhs to Rs 10 lakhs for companies with premium under Rs 1 crore and to Rs 20 lakhs for companies with premium over Rs 1 crore; stipulation regarding maintenance by insurance companies of an excess of assets over liabilities in relation to their net premium income, but subject to a minimum of Rs 10 lakhs. In addition, the Controller of Insurance, has been empowered to regulate and supervise the affairs of insurance companies."

Surely if these are not going to secure the working of the general insurance business in this country on sound lines, nothing else, not even nationalisation, will yield results. Let there be no mistake about it.

Very often, there is a tendency on the part of protagonists of nationalisation of general insurance to minimise the issue of compensation and to suggest all manner of ways and means of short-circuiting the process, such as outright purchase of the shares of all general insurance companies operating in India (it is not clear whether this proposal covers shares of even foreign general insurers) or formation of a new corporation with enough finance provided by the Life Insurance Corporation to take over general insurance business of all general insurance companies, as also their entire staff. If the Supreme Court judgement in the case of bank nationalisation provides any clue, it is that the compensation likely to be involved in this case would not be insignificant, but amount to anywhere between Rs 50 crores and Rs 60 crores! Is our exchequer in a position to take on this additional burden so soon after the burden imposed by bank nationalisation.

This apart, there is the important question of credibility which is, and should be, the concern of any administration. It is not very long ago that the Prime Minister clarified the government's policy regarding nationalisation. As recently as on March 2, 1970, Mrs Indira Gandhi listed three important guidelines, among others, that would govern official policy in this behalf. These are:

1. Government would never resort to a policy of indiscriminate nationalisation.

2. The instrument of nationalisation would be used judiciously and with care for ensuring social justice.

3. Nationalisation would be resorted to only if it assured a key position to the public sector in the basic sectors of the economy or to remove impediments to social progress and national interests.

The IMC memorandum has done well in drawing attention to this reassuring pronouncement of the Prime Minister and in emphasising the point that the need of the hour is "to avoid any step likely to disturb confidence and create further uncertainties about the government's approach to the question of nationalisation.

Workers' Participation in Management

K. C. SETHI

THE ESTABLISHMENT of works committees (WC) under the provisions of the Industrial Disputes Act, 1947, appears to have marked the beginning of the system of workers' participation in management in India.[1] Though the constitution of WCs was conceived to promote harmonious industrial relations through on-the-spot settlement of differences between workers and management it recognised the importance of human element in industry and provided an opportunity to the workers to satisfy their urge for self-expression.[2] However, for reasons of apathy or disapproval on the part of management, lack of co-operation from trade unions, rivalry among trade unions and illiteracy and ignorance of workers' representatives, a large number of WCs in practice became virtually defunct.[3]

Despite the inadequacies and the shortcomings of the institutions of WCs the need for constructive co-operation between employers and employees was re-affirmed as an essential element for the success of planned efforts of economic development in the country.[4] The need was not the establishment of a joint machinery to resolve grievances but a method of constructive co-operation to achieve continuous improvement in productive efficiency and higher standard of living. The Planning Commission considered that association of workers with management, through providing employees a

better understanding of the process of production and their role in the working of industry, satisfies the workers' urge for self-expression, better working relations and establishes industrial peace. Second five-year Plan recommended that a scheme of workers' participation in management be introduced in the country for the successful implementation of the Plans. The purpose of introducing the scheme was also to provide a practical lesson in indiustrial democracy. Thus the idea of workers' participation in mangement was accepted as an integral part of government labour policy in the second five-year Plan.[5]

The union Ministry of Labour and Employment prepared a detailed scheme. It constituted a tripartite study group[6] consisting of the representatives of employers, employees and the government to examine the working of similar institutions in other countries so as to provide a first-hand knowledge of the problems which might arises if the scheme was put into practice. The study group visited the United Kingdom, France, Belgium, Sweden, West Germany and Yugoslavia in 1956 and recommended that the system of workers' participation in management should be built-in rather than imposed and, therefore, it emphasised the need of reorientation of workers' attitude through workers' education programmes;[7] creation of favourable conditions in enterprises; and strong trade unions closely connected with the machinery of participation.[8]

Recommendation Endorsed

The recommendations of the study group were generally endorsed at the 15th session of the Indian Labour Conference (ILC) in 1957.[9] Since all the employers' delegates voluntarily agreed to introduce the scheme in selected enterprises, the ILC recommended that the scheme might initially be introduced in about 50 enterprises both in public and private sectors on experimental basis and that no legislative measures be adopted at least for a period of two years. However, if the experiment did not succeed steps might be taken to bring in legislative measures as desired by the employees' delegates present at the conference. The conference also constituted a sub-committee[10] consisting of four persons each representing employers, employees and the government to work out the details of the scheme of workers' participation in management. The sub-committee prepared a tentative list of industries and the number of units in each industry to be initially covered by the scheme. The sub-committee also proposed a draft model agreement regarding the composition and functions of the joint management councils (JMC).

The sub-committee laid down certain specific criteria for the selection of enterprises. These were: (i) the size of the enterprise should be at least 500 employees; (ii) there should be a well-established strong trade union functioning in the enterprise; (iii) the employer in the private sector should be a member of one of the all-India organisations of employers and the concerned labour union should be affiliated to one of the central trade unions; (iv) the enterprise should have a fairly good record of industrial relations; (v) the employers, employees and trade unions should be willing to try out the experiment in a spirit of co-operation.

Nominated Representatives

On matters of representation the sub-committee suggested that during the experimental period the employees' representatives on JMCs should be nominated by the labour unions and that a bulk of them should be employees themselves. However, respecting the wishes of the labour unions the committee agreed that not more than 25 per cent of the employees' representatives could be outsiders also.[11]

Another important stage in the implementation of the scheme of the JMC s is when the Tripartite Conference on Labour Management Co-operation approved the model agreement proposed by the sub-committee of the ILC in January, 1958.[12]

The objective of this article is to analyse the composition and functions of the JMCs and examine their actual working. An attempt has also been made to analyse the progress of the scheme and on the basis of the analysis a few suggestions have been proposed to remove the flaws observed in their present structure and functions.

In a large number of cases the JMCs have been set up on the basis of written agreements between management and concerned unions. These agreements closely followed the model agreement suggested by the sub-committee of the ILC. As recommended by the sub-committee a JMC consists of not more than 12 members. The membership is equally shareo between the management and the employees of the enterprise. The members representing employees' interests are generally nominated by the representative labour union of the enterprise and those of the management are invariably nominated by the employers. However, in the absence of a representative labour union or where there are mor e than one labour union in the enterprise the JMC is constituted only when all the unions reach a definite agreement among themselves on the matter of representation. The labour union may also nominate outsiders as members of the JMC but their number cannot exceed 25 per cent of the employees quota on the JMC.

In most cases the actual size of the JMCs varied between 6 and 12 members half representing management and the other half representing the employees. In a few exceptional cases there were more workers' representatives than those of the management.[13] Mostly the concerned labour unions nominated the employees' representatives. But in some enterprises they were elected by secret ballots.[14] The disappointing observation of the Labour Ministry's evaluation studies was that representatives of management were mostly junior members of the managerial cadre having little powers to take decisions on the spot. Often they showed their ignorance or want of instructions from their superiors.[15]

The JMC has the discretion on the procedure for appointing its chairman and vice-chairman. In the absence of an agreement the office of the chairman and vice-chairman is rotated between management and employees. The JMC may also appoint two secretaries having equal status — one from the employees and the other from the management side. However, the practice has been that generally the office of the chairman was held by the management and the labour office of the enterprise performed the functions of the secretary.[16]

Main Functions

Further, as recommended by the study group and subsequently endorsed by the ILC, the JMCs are consultative bodies for improving productivity and encouraging suggestions from workers. Their main functions include consultation, sharing of information and delegation of administrative responsibilities.[17] The employees' representatives are consulted on such matters as general administration and amendment of standing orders, introduction of new methods of production involving movements of men and machinery, closure, reduction or cessation of operations. They have also the right to seek information and discuss and make recommendations on the general economic situation of the business of the enterprise, the state of the market production and sales programme of the enterprise, method of manufacture and work, annual balance sheets, profit and loss accounts and such other matters as may be agreed to by the employers and employees. In order to

overcome the danger of apathy the councils are also given some administrative responsibility with regard to welfare measures, safety measures, operation of vocational training and apprenticeship scheme, preparation of schedules of working hours, breaks and holidays and payment of rewards for valuable suggestions from workers. However, all matters relating to wages, bonus, etc., which normally constitute the subject matter for collective bargaining as well as industrial grievances are kept outside the scope of the JMCs.[18]

Elementary Amenities

The evaluation studies of the Labour Ministry revealed that elementary amenities and facilites, viz., the provision of rest shelter and drinking water, which are ensured to workers under various labour laws were brought up for discussion at the JMCs. But in rare cases the JMCs were consulted on matters of general administration of the standing orders and their amendments, closures, reduction or cessation of operations and introduction of new methods of production and work involving re-deployment of men and machinery. The management appeared to have had some reservations in regards to some of the matters mentioned in the model agreement while the unions sought to read into agreement more than what was actually warranted. The clause relating to consultation on general administration of standing orders gave rise to some misunderstandings. The unions interpreted that any subject including discipline, arising from the standing orders was within the competence of the JMCs. In one undertaking the decision of the JMC was that no worker might be discharged or dismissed by the employer without taking prior permission of the JMC.[19]

These reports also revealed that there was practically no sharing of information with the councils about the various aspects of the enterprises such as economic aspects, marketing aspects and financial aspects. In most cases the employees' representatives on the councils did not even seek any information in regard to the details of the working of undertakings nor did the management volunteer to the council any such information. In some enterprises the management do gave information on financial aspects of the enterprise, marketing problems, plans for expansion and raw material problems and in one enterprise the workers' representatives also sought for much more information on financial matters than that they were given. Generally the observations are that the workers' representatives were not eager to seek information and remained satisfied with whatever information was made available to them by the management.[20]

As regards administrative responsibilities, it is gratifying to note that quite a good number of JMCs have assumed direct responsibilities for the administration of welfare measures, supervision of safety measures, operation of suggestion schemes, administration of canteens, sports, library, etc. Besides, a large number of JMCs have constituted sub-committees to deal separately with the above subjects. The recommendations of these sub-committees have often been forwarded to the JMCs for further consideration and decisions.[21] However, it may be mentioned that according to evaluation studies the sub-committees could not function as in the real sense there was no transfer of powers to the workers.[22] Another study also noted that the provision for joint administration of welfare measures was honoured only in a few cases and that too only partially without a separate financial provision for their functioning.[23]

The subjects discussed at the JMCs were often relating to absenteeism, housing, holidays, over-time payments, individual grievances and matters of collective bargaining which lie outside the scope of the JMCs. Though in a fairly large number of units, where the JMCs are functioning well, subjects connected with production and productivity, minimising waste, quality control, etc. were also discussed in the meetings of the councils, generally workers showed keen interest to discuss the vital issues of their wages, fringe benefits etc.[24] On the whole it appeared that JMCs have not given adequate attention to the discussion of general economic conditions, state of market, profit or loss accounts, etc. of the enterprise.

Irregular Meetings

Constitutionally the councils are expected to meet at least once every month. The scrutiny of the data on the frequency of meetings and average attendence at the meetings revealed that these vary from unit to unit. In some enterprises the councils met regularly every month. But in a fairly large number of enterprises the committees met very irregularly. Often the excuse given was that either there was no item to be placed on the agenda or it was not convenient for the workers or the management representatives to attend the meetings.[25] Of 99 councils reported as having been established by the end of 1965, 29 had not met at all during the year. The frequency of another 25 was less than once in three months. In this respect much more disappointing is the public sector. Of 34 public sector units covered in the study at least in seven enterprises the JMCs never met at all. Besides, in several case the councils met only once in a year or twice in a year.[26]

As regards the attendance at the meetings in the early stages of the setting up of the JMCs it was nearly cent per cent both on the management as well as workers' side. But gradually it began to fall. The fall was more noticeable on the part of the management side.

Agenda for JMCs

The agenda for the JMCs is framed on the suggestions of the representatives of both management and workers. The secretaries after drawing the agenda are expected to circulate it among the members well in advance usually about four to seven days before the meetings of the councils. The minutes of the meetings are also to be recorded and read at the next meeting. All decisions of the councils are to be reached by agreement and they should be unanimous. According to the reports of Labour Ministry, in quite a number of cases the agenda was not circulated in advance, the unanimous recommendations were ignored and the councils were not informed about the implementation of unanimous recommendations.[27]

The progress of the scheme of workers' participation in management appeared to be very disappointing, especially at the beginning. As against the target of 50 fixed at the 15th session of the ILC in 1957, only 10 enterprises set up JMCs at the end of 1958. Even the number of JMCs set up by the end of 1961 fell short of the initial target of 50 councils. Though the number of JMCs subsequently rose to 136 by the end of August 1966 comprising 42 in public sector and 94 in private sector,[28] the councils were either not meeting at all or had ceased to function due to limited actual commitment to the idea of participation and conflicts between the representatives of workers and employers on the Councils.[29] According to estimates of the Ministry of Labour and Employment of 40 enterprises which established JMCs by the end of 1960 and 23 enterprises studied in 1962, the JMCs were functioning only in 29 and 14 enterprises respectively.[30]

The table (p. 184) showing the number of JMCs set up from 1958 to 1966 reflects another disappointing feature of the scheme. It shows that comparatively the scheme of workers' participation in management has made less progress in public sector than in the private sector. This is something beyond comprehension. The government on the one hand claims the scheme as the major plank of its labour policy and at the same time

public sector has been indifferent towards its implementation. However, it may be heartening to note the proposal contained in the draft outlines of the fourth five-year Plan[31] that the public sector undertakings would set an example in promoting the scheme.

TABLE I

JOINT MANAGEMENT COUNCILS ESTABLISHED AT THE END OF THE YEAR

Year	Public Sector	Private Sector	Total
1958	..	..	10
1959	8	15	23
1960	7	17	24
1961	14	27	41
1962	16	37	53
1963	25	55	80
1964	34	58	92
1965	34	65	99
1966*	42	94	136

*Figures relate up to August 15, 1966: supplied by the Ministry of Labour and quoted in "Workers' Participation-Movement Not Likely to Succeed", appeared in the *Commerce*, March 25, 1967, p. 534.

SOURCE: Government of India, Ministry of Labour and Employment: Annual Reports and other relevant publications.

In 1960 the union Ministry of Labour and Employment convened a seminar of the enterprises, in which the JMCs had started functioning, together with the representatives of labour unions and the government to review the experience gained and consider the difficulties encountered. The seminar viewed that inter-union rivalry and lack of interest on the part of the workers were the major reasons for the slow progress of the scheme. However, it considered that the scheme had improved the industrial relations and emphasised the need for its extension. It further concluded that arrangements at the centre for promoting the scheme should be strengthened and similar machinery should also be created at the state level, suitable arrangements, should be made for collection and dissemination of information on the working of JMCs in various units, and a small tripartite committee should be set up at the centre to review the progress of the scheme from time to time, to bring out the difficulties faced in the functioning of JMCs and to suggest measures for doing away with them.

It is encouraging and heartening to note that prompt actions were taken on the recommendations of the above seminar. A committee on labour-management co-operation was set up in 1961 to provide advice and guidance on all matters connected with the scheme of joint management councils.[32] Similarly, in all the states (except those of Gujarat and Jammu & Kashmir) a special machinery to promote JMCs was created. In the states of Assam and Rajasthan tripartite committees on labour-management co-operation were set up to review the progress of the scheme and to recommend measures for its extension. The states of Uttar Pradesh, Madhya Pradesh, Maharashtra, Orissa and West Bengal entrusted the responsibility to the State Labour Advisory Board, in Punjab a committee of the secretaries of the employing departments was set up to promote the scheme in the public sector. In 1965 special cells at organisational centres of the central labour relations machinery to persuade the employers to implement the scheme,[33] and a sub-committee consisting of a representative each of the employers and employees under the chairmanship of a Joint Secretary of the Ministry of Labour and Employment to select and make intensive efforts for implementing the scheme of JMCs in such well-established industries as cotton textiles, cement, sugar etc.,[34] have constituted.

In pursuance of the recommendations of the 4th meeting of the heads of public sector undertakings held in October 1965, a committee comprising representatives of units where JMCs have been functioning fairly well, units where JMCs have not been functioning properly and units where JMCs have not so far been tried, to study and examine the functioning of JMCs in a few selected undertakings and suggest suitable measures to secure wider extension and more satisfactory functioning of the scheme has also been constituted.[35]

Success of the Scheme

But merely multiplying the number of the JMCs or achieving the targets year after year does not reflect the success of the scheme. The success of the scheme is reflected by the extent to which the scheme has achieved its objectives.

In actual situation the achievement of objectives of a scheme such as workers' participation largely depends on the willingness of the participating parties to try out the experiment in a spirit of co-operation, the ability of the workers to participate in the serious deliberations, existence of participation potential in enterprises and strong trade unions closely connected with the machinery of participation.[36] Presumably, having these factors in view the study group while recommending the institution of the scheme of JMCs in the country laid emphasis on the need of reorientation of workers' attitude through workers' education programmes, creation of favourable conditions in enterprises etc. Therefore, in order to understand the success of the scheme in the goals that the scheme has translated into practice, it is important to review the circumstances prevailing in the country. Such a review would also provide a clear perspective of the scheme.

Management's Reluctance

As regards the favourable climate of opinion among the management and the workers to accept the scheme in a spirit of enlightened self-interest as well as in the larger interest of the country and national economy, it is disappointing to note that there is a general reluctance on the part of the management to accept the idea of sitting equals with the workers.[37] They do not take the workers into confidence and shudder at the idea of consulting or discussing with them the problems concerning the introduction of new methods of production and work, cessation of operations, amendments of the standing orders, etc. There seems to be some truth in the employers' argument that workers are mostly illiterate and do not possess expert knowledge and skill in the technical, administrative and financial areas and therefore they cannot understand the problems of industry.

Until and unless the workers achieve a certain standard of ability to participate in the serious deliberations on the councils the scheme has little utility and practicability. But the truth appears to be somewhat different. The argument appears to be only a side-track. The employers are indifferent to the scheme due to the prevailing climate of industrial relations in the country. The workers are observed to be in the habit of making demands in every field and therefore the employers are perhaps wary of any proposal which requires them to part with their power and authority. In the heart of their hearts employers seem to consider that this scheme of participation of workers in the management is an undue encroachment into their domain.[38]

However, the employers should not consider the participation of workers in the management as an act of concession or charity on their part. The workers are no doubt, the partners in production and therefore, it is their inherent right to participate on matters affecting their short and long term interests. The reluctance on the part of employers to sit with workers on equal terms and discuss the mutual problems of management of enterprises and industry appears to hold them responsible for the slow progress of the scheme. Moreover, the employers seem also to be guilty of going back on the assurances they had given in successive tripartite conferences.

Evidences are not lacking that employers consider the scheme dangerous not only because of its novelty but also because the scheme is likely to quicken the transition to the socialistic pattern of society. Even among the more enlightened employers a certain degree of apathy is found though they are not actually hostile towards the scheme.

On the contrary the workers' attitude towards the scheme except that of the All-India Trade Union Congress, is relatively favourable. To workers the scheme provides for the satisfaction of the urge for self-expression and makes them feel that they are intelligent and responsible persons capable of giving suggestions for the well-being of the enterprises. But according to All-India Trade Union Congress there can be no possibility in a capitalist society for real labour participation in management. It has opted to participate in the scheme on the principle to utilise whatever machinery is available for the defence of the workers' interests.[39] This, no doubt, is too rigid a view and needs reconsideration. The workers consider that the employers have not stood to their assurances to introduce the scheme on voluntary basis and their disappointing attitude has been responsible for the slow progress of the scheme. In view of this the workers are keen to have a legal sanction for the large-scale extension of the scheme.

Significant Lacuna

Another significant lacuna is the existence of misconceptions and confusions among the workers and management on the use of term "Workers' Participation in Management". A large percentage of both workers and employers do not understand the objective of the scheme clearly. The employers conceive participation of workers in the management as consultation of workers on issues relating to the management of industry. Whereas to workers the participation means a joint responsibility with management for decision making on a wide range of administrative problems — including policies for increased capital, investment, introduction of new machines and technical processes and marketing of the product, as well as regulation of employment, wages and welfare measures.[40] Such confusion leads to lack of realisation of the usefulness of the scheme to both the parties and their enthusiasm gradually declines. This is evident from the fact that in the initial stages of the introduction of the scheme attendence at the meetings of the JMCs was nearly cent per cent but with the passage of time the parties lost interest and it declined.[41]

Since the JMCs are advisory bodies and matters of immediate interests to workers, e.g. wages, bonus, etc., which fall within the scope of collective bargaining, are not discussed, the workers become apathetic towards them. The limited scope of labour participation to matters of common interests and not to conflicting interests acts to wipe out the enthusiasm of the workers. For instance while the methods of increasing productivity are being discussed, the question of sharing gains of the increased productivity comes up and when the workers find that this issue cannot be discussed they lose their interest in discussing the productivity also.

Lack of Education

The bulk of employees are illiterate and do not possess even the minimum qualifications and training in the area of business and administration. In deliberations with highly experienced and well-equipped managerial representatives they sit as simple watchers of the proceedings and have little to contribute. In fact the requirement of ability among the workers to participate in management is almost absent. However, to bridge this gap a provision has been for outsiders to safeguard the interests of the working class on the councils. The illiteracy among the workers is being wiped out and they are being trained through educational and training programmes. Until the workers are prepared to participate in the deliberations, the associations like JMCs are bound to fail in achieving their aim.

The most disappointing factor is the trade union rivalry. In India there are four central organisations of labour and their activities are largely influenced by their political ideologies and affiliations. In the inevitable struggle for existence and dominance they waste much of their time and resources on matters other than those promoting the interests of labour. This weakens theirb argaining power and therefore the employers donot take them seriously, rather they ignore them.[42] The need of a representative labour union in each industry is an essential factor for the success of the scheme. The seminar on JMCs organised by the Council of Indian Employers in 1967 rightly considered the lack of a representative union as one of the major reasons for the slow progress of the scheme.[43]

Besides these, the overlapping functions of the JMCs which are voluntary and non-statutory, and WCs which are statutory give rise to considerable confusion in the minds of workers and employers and act as a barrier in the smooth functioning of the councils. Both bodies have been entrusted with the task of administering welfare measures and it is not clear where one is to end and the other is to begin. As such they often overlap and cause confusion.

Keeping in view the prevailing conditions in the country let us examine to the extent to which the objectives of the scheme have been achieved. Studies conducted by the union Ministry of Labour & Employment claim that the scheme has led to better industrial relations, increased productivity, reduction in waste and closer understanding between management and workers.[44] As far as the improvement in industrial relations is concerned it is very difficult to say to what extent that has been due to the impact of the JMCs. It is known that the scheme was introduced in enterprises having a good record of industrial relations. And if the scheme has worked successfully in some of these units it might be due to the fact that the relations between management and their employees have been already cordial rather than otherwise. Theoretically speaking the scheme though providing opportunity to the workers for satisfying their urge for self-expression is likely to lead to industrial harmony. The JMCs provide a forum for the free ventillation of views on mutual problems of management and thus bring a closer understanding between the management and workers. But it might not be correct to attribute harmonious relations wholly to the JMCs. The attitude of management as well as the trade unions towards each other is much more important a factor than the JMCs.

Promoting Productivity

Another objective of the scheme is to promote productivity. Union leaders claim that the productivity has increased in recent years while the employers dispute their claim. The employers consider that whatever increase in the productivity or production has taken place has been due to factors like the introduction of new machinery, new process or better management practices and not because of the JMCs. However, in the absence of any scientifically defined method to measure the increase in productivity due to each factor separately it is difficult to say to what extent the increase in productivity is the result of JMCs.

The scheme is expected to establish industrial democracy as a prerequisite to achieve the overall aim of the governmental planning efforts to establish a socialistic pattern of society. The essential ingredients of industrial democracy are: the workers should have the right to know the facts about the industry — the facts about the profits, production and market; workers should have the right to share the benefits of increased productivity; and the workers should

have the right to share the benifits of increased productivity and the workers should have the right to organise their own unions independent both of the state and management. In India we lack nearly all these essentials of industrial democracy. For the success of the scheme of workers' participation in management it is essential that all these satisfactory conditions should be created. The management should adopt a co-operative attitude and regard trade unions not as an obstacle to be overcome but as a highly valuable and powerful instrument which, if properly utilised, can be of great value in increasing productivity. However, the experience is that the cart has been put before the horse by constituting the JMCs without giving due thought to the reorientation of workers through education programmes and creation of favourable climate of opinion among employers and workers.[45]

Workers' Education

The education of workers has got a significant role especially in a developing economy. Many of our workers are illiterate, many more have vague notions of the principles of trade unionism and, of course, few have the knowledge of handling matters in technical, financial and administrative fields. An illiterate worker cannot take active part in the higher techniques of management, nor can he understand well the problems of industry. So, education will greatly benefit the workers as well as the industry in the long run. The question of educating workers should not be relegated to the background saying that it is the responsibility of the Adult Education Board. Intensive efforts should be made to make the scheme of workers' education more broad-based. The training in trade union principles and practices should also be given to the workers to discipline them and make them better and more responsible members of the labour force.

The composition, powers and representation of the JMCs also needs considerable thought. For effective work the two parties need both be represented by equal number, especially when the decisions are reached by agreement and not by vote. Management should be represented either by the employers or works managers or some other senior members who can speak with sufficient authority on management policies. The number of workers' representatives should be guided by the size of the enterprises and the number of departments. The workers' representatives may either be chosen by vote of the workers or nominated by the representative union. It is desirable to have separate representatives of foremen and supervisors.

The meetings of JMCs should be held regularly and they should be open to other workers also. However, these other workers will be only observers of the proceedings of the councils. The recommendations of the councils should be implemented promptly and in good faith. In case it is not possible for the employers or the workers to accept a unanimous decision of the JMC, a practice should be adopted to place the reasons for the non-implementation of the decision before the next meeting of the council.

Since the objectives and scope of JMCs coincide with those of WCs and the former have wider and more constructive objectives, it would be desirable if the WCs are either abolished or converted into JMCs.

As mutual understanding and confidence grow slowly, legislation is not likely to ensure the success of the scheme. It is desirable that compulsory measures should be avoided and the scheme be left entirely to the collective will of the participating parties. Unless both employers and trade unions agree genuinely to promote bipartite settlements in the interest of greater discipline, production and productivity, no attempt should be made to hasten the extension of the scheme. Meanwhile, it would be better to concentrate on the already existing JMCs which should be consolidated rather than the experiment extended further.

However, the government itself should give a lead by implementing the scheme in all the public sector undertakings and make the scheme efficiently operative there. By setting up an example in the public sector sooner or later employers in the private sector too will gracefully implement it in a spirit of real co-operation.

References

1. The Industrial Disputes Act, 1947, provides for the establishment of Works Committees in all industrial undertakings employing 100 or more workers. A WC consists of a maximum of 14 members of whom half are the representatives of workers and other half are the representatives of management. The representatives of management are nominated by the employer and those of the workers are ordinarily nominated by the recognised labour union. But in the absence of a recognised labour union the workers' representatives are elected by the workers directly. The WCs are consultative and their functions are to promote and preserve harmonious relations between employees and employers. With a view to meeting their objectives the WCs deliberate on matters of mutual interest and endeavour to resolve disputes between labour and management.

2. Government of India, Ministry of Labour and Employment: *"Annual General Report on the Working of the Industrial Relations Machinery for the Year 1962* (released July, 1964) and 1963 (released March, 1965); Government of India, Planning Commission: *First Five Year Plan*, New Delhi, 1951. p. 576.

3. Government of India, Ministry of Labour and Employment: "Annual General Report.." op. cit. 2; see also Mhetras, V.G.: "Works Committees in India — A Retrospect", which appeared in *Labour Gazette*, Bombay, December, 1965, p. 571; and Government of India, Ministry of Labour and Employment: *"A Survey of the Functioning of the Works Committees in Bombay City"* — conducted by the N.C. Corporation, 1959, pp. 79-81.

4. Government of India, Planning Commission: *The Second Five Year Plan*, New Delhi, 1956, p. 577.

5. "Joint Management Councils: Public Sector Undertakings Should Set An Example", appeared in the *Commerce*, January 14, 1967.

It is also believed that the demand of trade union leaders to curb the managerial authority was at the crux of the introduction of the scheme. See Mayers, C.A.: *Industrial Relations in India*, Bombay: Asia Publishing House, 1958, pp. 146-152.

6. The study group was led by Mr Vishnu Sahay, the then Secretary to the union Labour Ministry.

7. A parallel scheme for workers' education to prepare the employees for participative role was also launched.

8. Government of India, Ministry of Labour and Employment: *"Report of the Study Group on Workers' Participation in Management"*, New Delhi, 1957.

9. Government of India, Ministry of Labour and Employment: *"Proceedings of the 15th Session of Indian Labour Conference", 1957.*

10. The then union Labour Minister, Mr G.L. Nanda, was the chairman of the subcommittee.

11. "Workers Participation in Management —Movement Not Likely to succeed", appeared in the *Commerce*, March 25, 1967, p. 534.

12. Government of India, Ministry of Labour and Employment: *"Seminar on Labour Management Co-operation"* January 3, and February 1, 1958, pp. 20-21.

13. Government of India, Ministry of Labour and Employment: "A Report on the Working of Joint Management Councils for the Year 1965", appeared in the *Indian Labour Journal*, Vol. VII, No. 12, December 1966, pp. 167-177.

14. Ibid. In some of the government undertakings in Kerala and in a few private sector undertakings the employees elected their representatives by secret ballots.

15. Government of India, Ministry of Labour and Employment: *"Report on Evaluation Studies of 30 Undertakings in which Joint Management Councils were Functioing in 1961 and 1962"* New Delhi, 1966; Government of India, Ministry of Labour and Employment: *"Report of the Working of Joint Management Councils"*, 1965, p. 142; and Pandit, D.P.: *"The Workers' Participation in Management"*, New Delhi: Institute of Economic Growth, 1962.

16. In one case the labour representative who was also the labour director of a public sector enterprise continued to be the chairman of the council for a very long time. (He took up the office in June, 1960 and remained even after May, 1965 when the case study was completed). See Dua, B.D.: *"Workers' Participation in Hindustan Insecticides Limited — A Case Study"* (from January, 1962 to May, 1965) appeared in *AICC Economic Review* vol XVII, No. 18, April 1, 1966, pp. 27-32.

17. *Seminar on Labour Management Cooperation*, op. cit. 12 and *Indian Labour Journal*, op. cit. 13.

18. *Seminar on Labour Mamagement Cooperation*, op. cit. 12.

19. Report on Evaluations Studies, op. cit. 15.

20. *Indian Labour Journal*, op. cit. 13.

21. Ibid.

22. There are certain exceptions where the sub-committees have been functioning satisfactorily as extended arms of the JMCs and the JMCs are executing the responsibilities of administration entrusted to them. See Dua, B.D. op. cit. 16.

23. Pandit, D.P., op. cit. 15 and *Report on the Working of Joint Management Councils*, 1965 op. cit. 15, pp. 21, 114-115.

24. Mhetras, V.G.: *Labour Participation in Management*, Bombay: Manaktalas, 1965, pp. 115-116.

25. Report on Evaluation Studies opp. cit. 15 and Dua, B.D. op. cit. 16.

26. *Indian Labour Journal*, op. cit. 13.

27. *Report on the Working of Joint Management Councils*, 1965, op. cit. 15, pp. 20-21, 54, 80, 114 and 151.

28. Of 99 joint management councils functioning at end of 1965, 69 were in manufacturing, 23 in the mining and 7 in the plantation industries. Besides these the State Bank of India set up a central consultative committee at the central office and a circle consultative committee at each of the seven local head offices. See *Indian Labour Journal*, op. cit. 13.

29. Government of India, Ministry of Labour & Employment: *Indian Labour Year Books*, 1961 and 1962; "Memorandum on Item 4: Joint Management Councils", submitted to the fifth meeting of the heads of public sector undertakings, New Delhi, July, 1966, pp. 8-9; and Mhetras, V.G. op. cit. 23

30. *Report on the Working of Joint Management Councils*, 1965 op. cit. 15.

31. After the reconstituion of the Planning Commission in 1967 with D.R. Gadgil as its Deputy Chairman, the fourth Plan seems to have been shelved for the time being.

32. The committee was reconstituted in 1965 and the reconstituted committee at its first meeting recommended various measures for wider acceptance and implementation of the scheme. See: *Indian Labour Journal*, op. cit. 13.

33. The Chief Labour Commission in May 1965 issued special directive to Central and Regional Labour Commissioner (Central) to instruct their field officers to explain to the managements of large sized establishments at the time of their routine visits to such establishments the details of the scheme of JMC and to pursuade them to implement it. See: *Indian Labour Journal*, op. cit. 13.

34. This sub-committee has been constituted in pursuance of conclusion No. 7 of the meeting of Committee on Labour Management Co-operation held in July, 1965. See: *Indian Labour Journal*, op. cit. 13.

35. Ibid.

36. Walker, K.F. and Bellecombe, L.G.: *"Workers' Participation: The Concepts and its Implementation"*, appeared in Bulletin 2, February, 1967 of the International Institute for Labour Studies, Geneva, pp. 67-100.

37. See Pandit, D.P. op. cit. 15. The author observed among the management representatives a "usual belief that enforcement of discipline demands a dominating behaviour, a proper sense of distance, and aloofness in one's relation to the workers."

38. The failure to supply tea during meetings (when this was done for other committee meetings) ignoring the implementation of unanimous decisions and such other lapses reflect the management limited faith in the scheme. See: *"Workers' Participation in Management: A Review of Indian Exprience* (No. 1)", appeared in the Bulletin 5, November, 1968 of the International Institute of Labour Studies, Geneva, pp. 153-187.

39. All India Trade Union Congress: 26th Session of the AITUC held in January 1961 p. 2.

40. For detailed discussion of misinterpretation of the terms Workers' Participation in Management, see: Pandit, D.P. op. cit. 15.

41. Since the fall in the attendence was appreciably more on the part of the management, this may be interpreted that to avoid legal provisions the employers voluntarily accepted to experiment with the scheme, pursued it to prove their eagerness and finally began to make a gradual withdrawal. In other words the management was not actually eager to have such a scheme. Perhaps due to moral pressures and fear of the government it, did so.

42. Inter-union rivalry and unsatisfactory industrial relations often conflicted with the successful functioning of JMCs in many cases. See: Report on the Working of Joint Management Councils, 1965, op. cit. 15, pp. 39, 79, & 114 and Memorandum on Item No. 4 op. cit. 30.

43. Some units had no union at all. In some cases the JMCs were constituted on the basis of a nomination from a union even though there existed inter-union rivalry and the representative status of union was determined satisfactorily.

44. Government of India, Ministry of Labour & Employment: "Annual Report", pp. 14-15; and *Indian Labour Journal*, op. cit. 13.

45. *Workers' Participation in Management*, op. cit. 39, pp. 167-169.

A Year of Bank Nationalisation

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ON JULY 19, 1969, by a stroke of the pen 14 leading commercial banks were nationalised by the Government of India. This was hailed as a major step towards socialism and as ushering in an era of prosperity for the common man. Morchas of rickshawallahs and tongawallahs were arranged to be taken to the Prime Minister's residence to symbolise the advent of the New Era.

A year has passed. The euphoria created has subsided and cold facts of life stare the public in the face. The great political triumph has turned out to be an economic tragedy, if one is to go by the latest pronouncements of one-time ardent supporters of bank nationalisation.

Disappointment has been expressed on many scores:

No follow-up action has been taken by the government.

Corruption has become rampant in nationalised banks at all levels.

The small farmer, artisan and small industrialist who were said to be the main beneficiaries of nationalisation are still left out in the cold.

Deposits have failed to increase making nonsense of the claim that banks were nationalised to mobilise deposits on a huge scale.

Prices have risen whereas bank nationalisation was advocated in order to put an end to rising prices.

As against these criticisms, it is claimed by some that progress has been noted on two counts: A number of new branches have been opened and loans to priority sectors have increased.

A dispassionate analysis of all these points is necessary in public interest.

There can be no follow-up action if the original action itself was thoughtless. If the government were serious about achieving its social objectives, the Reserve Bank of India had enough powers to regulate and direct private commercial banks in whatever manner it thought fit. The government administrative machinery is overburdened and has become inefficient in its operation. It is unable to perform its primary duties such as maintenance of law and order, providing roads, and other essential social overheads. Its incompetence in running the public sector of industries has been demonstrated by the continuing losses (Rs 27 crores on an investment of about Rs 3,900 crores) thus adding to inflation and loss of precious resources. So, takeover of banks in such a situation was an unsound managerial decision.

Politicians who are supposed to provide the motive power to the administrative services are too busy with their own political survival and image building to find any time for their proper functions in the operation of the government. As they are occupied with defections, the toppling of governments, *dharnas*, *gherao* and other puerile manifestations of persons who are more keen on politics as a self-service rather than public service, they cannot enthuse the administration to run the banks efficiently.

It is no wonder that at first the case before the Supreme Court was made an alibi for inaction. Even the fulfilment of the statutory obligation of appointing boards of directors has taken one year. Yet the appointments are incomplete!

The list of new directors makes interesting reading. Nearly half are Reserve

Bank or government officers. The presence of the former provides an anomalous situation. These banks are to be regulated and supervised by the Reserve Bank. How can the Reserve Bank of India take action against any banks or its board, when its own officers are on the board? Reserve Bank control becomes a farce now!

Second, government officers believe they are competent to handle all matters under the sun. Business and industry are specialised lines, and the "competence" of government officers has been demonstrated in the running of the public sector which has become a white elephant and burden on the public. Monopoly state enterprises like IAC and LIC are operated by them by mulcting the helpless consumer. To appoint such men as directors to run the banks efficiently is asking too much. They will learn banking at the cost of the public.

The appointment of government officers to the boards of banks is a reversal of the earlier policy of professionalising banks. Top officers of banks would have been far more suitable and preferable to become directors than government officers. Latter's appointment is, in short, economically against the principle of specialisation of labour, and politically a reversion to feudalism.

One of the main grounds on which the first nationalisation Act was struck down by the Supreme Court was that clause 11 gave all powers over the banks to the union government bypassing the Reserve Bank, and that was rightly considered to be not in public interest. By appointing a large number of government officers as directors, the government has virtually assumed control of the banks, nullifying the court decision. This shows the contempt which politicians have for the judiciary and indicates the trend towards totalitarianism by concentrating economic power in political hands.

Strange Reading

Some other appointments also make strange reading. While it is not necessary to name individuals or to question their competence, it can be boldly asserted that a number of non-official appointees are on the boards because of patronage. For instance, a journalist appointee is editor of a magazine which was formerly edited by the Reserve Bank Deputy Governor in charge of banking whose appointment itself has been demonstrated to be a purely political appointment! Similarly, some other appointees are contributors to that magazine. Likewise, although it was said that former "social control" directors would not be appointed on new boards, one such name found can be linked to the new Finance Minister. A berth has been provided to another friend of the Finance Minister who is otherwise free of commitments. The charge of the Lt. Governor of Goa, Mr Nakul Sen, that the public sector has become a "dumping ground" is amply proved.

Under various categories people who have no idea of banking have been smuggled on these public institutions and what would happen to the funds of depositors under such boards is apparently not a matter which bothers either the Reserve Bank of India or the Finance Ministry. Institutions built over the years by the toil and anxieties of entrepreneurs are today handed over to men most of whom have neither stakes nor, in many cases, qualifications to operate banks. This is apparently "social justice".

Politicalisation of Industry

Not a single representative of depositors with those monies the banks operate is to be found on the boards. Strange, in 12 months the RBI and the Finance Ministry could not find 14 depositors among nearly 20 million! The only conclusion is that the real motive of nationalisation is politicalisation of the industry, to enlarge the portfolio of power and patronage of professional politicians and bureaucrats, who find that slogans of socialism and public welfare are convenient to hoodwink the public.

Corruption: The Finance Minister's explanation for growing corruption in banks is that it was there formerly also (a strange way of justifying corruption) and because of public gaze on nationalised banks it has come to the surface now. With very strict supervision by the RBI and competition between banks, and the giving of loans on commercial considerations, corruption had little scope in private banks. Now, it has spread to all levels of the staff as loans are given on political and "price" considerations, and profitability of banks is immaterial. Interest rates have been increased to cover inefficient operations after nationalisation. In another two years' time, bad debts would show up and public would be required to foot the losses as in other public sector enterprises.

It is well known now that a 5 per cent cut is all that is necessary to get a loan from a nationalised bank and for appointments two months salary is demanded from candidates in some banks.

Genuine co-operatives were free from corruption. The moment our professional politicians and bureaucrats stepped in, they become hotbeds of corruption. Similar is the case with banks.

Loans: Professions of helping the small farmer etc. were made. Now it is found that it is not possible to help them purely on commercial considerations. However, the category has come in handy to give loans on political and "price" considerations. In some places under pressure from communist office-bearers of bank unions, loans have been given to communist party members; and to all and sundry some of whom have reportedly disappeared. The unsoundness of these loans is indicated by a phenomenal increase in bank borrowings from RBI. It means that new loans are not leading to increase in deposits as in the case with productive loans.

Deposits: At the end of the year it has been noticed that deposits had fallen compared to last year. A government spokesman has admitted that the rate of growth of deposits has gone down from 13.5% to 11.5% in one year of nationalisation.

During the busy season, there was a fall in fixed deposits as compared to the previous busy season which gives an indication of the lack of confidence of depositors in the nationalised banks. The new boards comprising mostly of government officers, inexperienced in banking, and political and personal favourites of the Finance Ministry and Reserve Bank have been asked by the union Finance Minister to mobilise deposits on "a war footing." The boards will not inspire confidence among depositors. Now that the political motives behind bank nationalisation have been confirmed, and the non-commercial considerations on which they are operated have been demonstrated, the people of India are not going to be taken in by advertisements and promises of politicians whose sense of honour is well known to them.

Inevitable Result

A flight of deposits in coming months is inevitable.

Already, a number of private financing companies have come into being and are mopping up public funds. Many people are also depositing their funds with traders and industries in whom they have greater confidence than in nationalised banks.

Price Increase: This will continue under nationalisation for two reasons. First, loans were formerly given on commercial considerations for productive purposes. Now the nationalised banks are giving them on considerations which do not ensure increased production. Second, governments are making use of banks for deficit financing through the backdoor. Hence, there will be a further spurt in prices because of bank nationalisation.

Branches: The opening of new branches is claimed to be an achievement. A little examination shows that most of

these branches are just centres for disbursing depositors' funds without raising adequate deposits. An examination of deposits collected and loans given by each branch would reveal an alarming picture.

Small Accounts: There is an increase in the number of small accounts. A close examination will show that they are mere numbers without any meaning in terms of economic activity.

A year of bank nationalisation has shown that a political triumph has turned into an economic tragedy. If at least it serves to open public eyes to the dubious nature of political claims, bureaucratic incompetence and hard facts of economic life, and prevents more adventures of this type, bank nationalisation would have served a major public purpose for the time being. Eventually, of course, banks like other public sector industries under compulsions of economic realities would go back to people's private enterprise which alone is capable of serving public needs and welfare.

Protein Content in Cereals

S. MALIK (MISS)

SINCE INDEPENDENCE India has been facing acute shortage of foodgrains with the result the government is compelled to import large quantities involving considerable amount of foreign exchange. Obviously food shortage results in undernourishment and acute malnutrition. Indian diet as such is nutritionally deficient.

The major nutritional deficiency in our diet is that of proteins, both in quality and quantity. The average protein deficiency per day of an individual's intake is estimated to be 20 to 30 gms. The obvious way of correcting protein deficiency is to develop protein sources, i.e. vegetables and animal proteins. The increase in the intake of animal protein, however, is hampered for two reasons: (i) a large number of Indians are vegetarians; and (ii) the development of animal protein sources is slow and costly.

Intensive Research

There is thus an urgent need to augment the supply of edible vegetable protein in our diet. This will require intensive research in high yielding varieties i.e., new hybrids. Plant breeding with the primary purpose of developing hybrids (new varieties) which are efficient in the use of nutrients, increase the yield per unit area. It dates back to time immemorial, but its development as a science has come with the discovery of the laws of heredity towards the beginning of twentieth century. It is based on the understanding of genetics and other basic sciences. Through the genetic manipulations, it is possible to develop various hybrids suitable for particular conditions of growth or requirements of end-use.

It is of interest to know how this is done. In nature, maize is pollinated by the 'pollen' grain carried at random by the wind. The plant breeder controls this by enclosing the 'tassel' (male flower) in a polythene bag to collect the 'pollen' grains from the selected plant. Similarly, the 'shoot' (female flower) is also enclosed in the polythene bag so that the selected 'pollen' grains reach the 'shoot'. Thus, a hybrid of desired parentage is obtained.

A major break-through in the genetic manipulation of protein both in quality and quantity was obtained in 1964 when Dr E.T. Mertz, L.S. Bates and O.E. Nelson of the Purdue University, USA, discovered the maize variety (Opaque-2) which had lysine content twice that of normal maize. In nutritional studies with rats it was observed that when fed with a diet containing 90 per cent opaque maize, average daily gain in weight was 97 gms, whereas rats on normal maize showed a daily gain of 27 gms only. Recently Ricardo Bressani and Helen E. Clark have revealed that Opaque-2 maize is a potentially valuable source of protein in countries in which corn is a major component of diet.

Gene Mutation

Work is also in progress to identify the genes responsible for the improvement of protein content of maize. American scientists at the Purdue University found that a single gene mutation which turns the maize grains opaque is associated with doubling of their lysine content. Another gene which enhances the methionine content in maize kernels has also been discovered. Opaque-2 and Floury-2 are the two muta-genes responsible for the improvement of the protein content in maize.

In India, attempts have recently been made to improve the quality of maize, wheat and pulses. A good deal of research work has been done at various agricultural research institutes. Several hybrids have been developed under the all-India co-ordinated research projects.

A world collection of wheat, rice, barley, pearl millets, and jowar and their varieties are being screened at the Indian Agricultural Research Institute for aminoacid composition. Recently two varieties of wheat namely Sharbati Sonora and Sonora-64 have been evolved. The chemical analysis of these varieties shows their protein and lysine content is higher than those of the parental variety. The attempt to incorporate Floury-2 has led to the development of four new composite strains, Jawahar, Kisan, Vijay and Amber which have been released for commercial sowing.

New Composites

In the case of maize a number of genetic stocks containing Opaque-2 received from US were found to be very weak and poor in vigour. These stocks were of little commercial value. Attempts were, therefore, made to incorporate Opaque-2 in a number of new composites.

The hybrids of maize so far released for commercial cultivation are: Ganga-1; Ganga 101; Ranjit; Ganga-3; Himalayan-123 and some others. These hybrids are known for their high yield. Popularisation of these varieties can no doubt mitigate the food deficit. Attempts are now being made by Indian scientists to improve the protein content of maize, so that, along with the food deficit, nutritional deficiencies could also be mitigated. Studies carried out with rats with Ganga-3, Opaque-2 and Casein at IARI suggested the superior nutritive value of Opaque-2 composite. In addition to varieties mentioned above, Opaque-2 has also been incorporated into a number of other composite populations and potential experimental hybrids.

Pulses occupy a major position in Indian diet and are a potential source of protein. Though a good deal of research has been done to improve the yield of pulses, yet little has been done to improve their protein content. It will be good if agricultural scientists devote their attention to pulses as well.

Consistent attempts to improve the quality of cereals would contribute substantially to reduce the protein deficiency in the average Indian's diet, and would have profound influence on health and economic development of the country. It could offer opportunities for export of high lysine maize and help in developing domestic markets for cereal-based industries.

The green revolution through which the country is passing, is nothing but utilisation of new hybrid varieties on a large scale. It is possible to achieve self-sufficiency in foodgrains in the near future. Efforts now should be directed to improve the quality of these varieties.

WINDOW ON THE WORLD

High Cost of U S Elections

H. R. VOHRA

WASHINGTON:

THIS IS an election year. Elections are in the air. So is the system which prompts them. Much thought has gone into the subject. Is it as competitive as it is thought to be? Is it fair as between the incumbents and the aspirants? Or does money alone count?

The answer is obvious. Money counts more than it should, a fact which is threatening to turn this country into a plutocracy — a government of the rich, by the rich which functions for the poor at home and abroad only in a desultory manner. If things go on the way they are, the US Congress and Administration, relying mainly on the power and prestige of the rich, could lose touch with the masses.

Competetion in elections is fast diminishing. An overwhelming proportion of elections are won by incumbents. Since 1954, incumbents have stood for 3,220 House and 224 Senate primary or general elections. They have won 92 per cent of the primaries and 85 per cent of the general elections. The results conclusively demonstrate that a newcomer has very little chance of ousting the seated candidate.

Money Speaks Louder

The growing success of the incumbents to retain their seats is due not only to the influence they are able to exercise over the voters and the election facilities they can bring into play but also to the finances they can raise. Money speaks louder than talent or zeal in some cases.

A senator can now expect to serve an average length of 10.3 years as against 6.8 years 10 years ago. A representative on the other hand has a mean length of service of 9.6 years though it could be as high as 11.4 years.

An incumbent's advantages are overwhelming. He has an office and a publicly paid staff in Washington. He has access to federal agencies which can be exceedingly helpful when they want to. One can imagine that an incumbent has cultivated well-placed allies. He also has experience to draw upon. He has obliging friends in the news media.

Most of the incumbents collect their election funds or pledges to the funds months before the election day. A member, holding committee positions, finds no difficulty in mustering special interest groups with which Washington swarms.

There is no escaping the use of these methods considering the growing cost of electioneering. A recent and reliable survey shows that an effective campaign for the House can cost each candidate more than $100,000 while a senate contest can cost a campaigner $2,50,000 even in a relatively small state. The cost of the presidency runs into several million dollars. One could justifiably say that the way to the White House is paved with gold.

Law Flouted

Law in the process is flouted with impunity. This year, as in previous election years, says one hard-nosed commentator, "secret conduits, spurious committees and other forms of deceit and subterfuge will come into existence to provide the candidates with the money they need to reach voters." He adds:

"Men of goodwill, with the best intentions, will take money from sources that are proscribed against giving it; it will come in prohibited quantities and much, if not most, will go unreported and even, unrecorded."

The sequel is unavoidable. The reelected (or elected) members, having relied on a few large contributions from individuals or special interest groups, come to represent them even more than the voters. Voters' opinions can be moulded through modern techniques and television campaigns, given the requisite funds.

There is no great secret about any of this. The emerging cynicism is reflected in the voter withdrawal. A declining number of people go to polls now. There is a feeling of helplessness. There is talk instead about "dirty politics." Quaintly enough, the enlarging investments in elections are beginning to be counter-productive. Corruption dulls the interest of voters. This, in turn, tarnishes the democratic process.

This year, it is expected that less than half the elgible population will vote in the congressional elections. While the total number of people participating in congressional elections has grown in the last 20 years, there has been no substantial change in the proportion of the elegible population that actually participates in congressional elections.

How can the election system be made more competitive? This is a typical question to a peculiarly American ailment which cries out for an American solution. The Twentieth Century Fund recently appointed a commission to recommend what needs to be done to meet the problems plaguing the political process in the US. I imagine that the scale may be different, the problems facing the US democracy are also raising their heads in India. The US thinking could be help to India particularly as it comes from a non-partisan and non-political body.

The report of the commission believes that full public disclosure and publication of all campaign contributions and expenditures are the best disciplines available "to make campaigns honest and fair."

Entire spending on the 1968 congressional campaigns, reported under federal statues, totalled $8,462,857. Actual spending was probably more than $50 million.

The commission recommends that every political organisation and committee that spends money to influence a primary or general election for federal office be required to register with a federal election commission and to keep open record of its activities. It would impose "firm and realistic penalties" to deter later, inaccurate or uncomplete reports of the contributions they make to elections.

Bipartisan Commission

It also desires the establishment of a bipartisan federal elections commission to administer regulations affecting federal campagins. The commission would audit and publicize all campaign finance reports and report possible violations, including late filing, to the appropriate agencies for action.

Perhaps the most revolutionry suggestion made is that "all spending limits for congressional compaigns be eliminated." The commission's reasoning is interesting. It does not believe that the policy of ceilings has served the public well. The limits — $5,000 for a House candidate and $25,000 for a Senate candidate — are held unrealistic and unenforceable. It goes further and asserts that no enforceable limits can be devised to limit election expenditure or to compel its disclosure.

The commission, equally provocatively, also recommends elemination of the size of individual contribution to a political committee or the individual candidate. But it prescribes that individuals who contribute more than $5,000 in a year to federal candidates and political committees be required to file a report with a federal elections commission listing the date, recipient and amounts contributed.

These revocations would not apply to contributions from corporations, unions, trade associations and government contractors. Current prohibitions against this category of contributors is sought to be continued and vigorously enforced. It also desires that when a corporation, association or contractor is prosecuted for making illegal contributions to federal campaigns, the names of candidates who received such contributions should be released to the public.

The commission has no complaint against non-partisan political programmes financed by corporate and union funds. In fact, it would like to encourage this kind of activity.

How money counts in elections was illustrated recently in New York primaries. New York's Democrats nominated Arthur J. Goldberg for Governor and Richard Ottinger for US Senate, both good candidates. In order to win, Goldberg had to bet he nominee of the party's bosses. The other had to draw upon his own personal fortune. Two potentially excellent nominees for Governor, who had no support of the party bosses and the party funds nor money enough of their own, had to withdraw from the contest before the election warmed up.

A deciding factor is the cost of television time. It is so expensive that only a rich man or a man backed by the rich can afford to buy television time. That is the real rub.

The *New York Times* laments that the flaws that exist in the American electoral system "are weakening the foundations of popular government."

Geneva Talks on Textiles

E. B. BROOK

VIENNA:

THE UNITED STATES is conferring with its principal trading partners, the Common Market, in Geneva to discuss the current crisis in the world's textile markets. With leading officials from these two areas will be senior government people from Britain and Japan.

These talks will follow the breakdown in negotiations between the United States and Japan during which voluntary restrictions were sought on Japanese textile imports to the USA. The Common Market has two fears: that the US Administration will yield to congressional pressure to impose quotas on imports of textiles and footwear from all areas and that the Japanese, restricted in their imports to America, will begin to flood Europe with their textile manufactures. It is known that already Japanese textile mills are making adaptations in weave and design to suit European customers.

The Common Market is anxious to reduce the potentially dangerous nature of what appears to be an almost inevitable trade clash. The USA, with 65,000 men laid off from its textile mills in the last year owing to Japanese competition and imports from Europe, is determined to protect its cotton and wool as well as its footwear manufactures and to prevent unemployment from rising further. The Japanese, facing a serious threat and restriction to their trade across the Pacific, insists that it must make an assault on the already heavily protected markets of the European Community. Already the Common Market area is buying far more textiles from outside than it did 18 months ago. Last year its textile imports increased by 34 per cent.

Both the USA and the Common Market wish to prevent anything like a trade war but, should it come, it will surpass any similar dispute — such as the fight over US poultry imports in the mid 1960s — since the '30s. If the USA imposes quotas on European textiles and shoes as well as on Japanese it could cost the Market $200 to 300 million a year. If this loss became even a serious likelihood Europe would almost certainly strike back by heavily taxing fats and oils from the USA. Such a tax has already been talked of in Brussels to help reduce US competition in fats and to make it easier to reduce the Market's notorious butter surpluses; the notion produced such loud protests from Washington that Brussels has so far held off from imposing the tax. But it will refrain no longer if the USA reduces the volume of 22 textiles and shoes it lays at present from Europe.

No one is expecting the discussions at the end of this month in Geneva to produce any definite results but they could pave the way to a general agreement for temporary and limited quotas in return for relaxations of tariff restrictions in other trade sectors.

The Market's unfulfilled plan to raise a protective levy against imported fats to facilitate reduction of its own gross overproduction of butter — dairy farming being the least expensive and least troublesome type of husbandry—leads many to think that this increasingly insupportable position will have to change in this decade. The treasuries of the Market's member countries raise increasing complaints of the burden they have to carry to finance agricultural surpluses, very largely French surpluses. Agriculture costs the Market some £3 billion a year in aids and subsidies and inflated food prices cost the 180 million consumers within the Market nearly £4 billion a year. Britain will certainly not accept such an extra burden; the Market's agricultural system will either keep the British out or the British entry will force a change.

The Americans are aware that changes may come within a few years to the Market and its price structure but they cannot afford to wait. American farm sales to the Market, although they have doubled since the European Community was founded 22 years ago, have suffered for four years from its variable import levy and the prospect of retaliatory taxes on imported fats if the USA protects its textiles is too much for Washington to contemplate equably.

New Spirit Pervades

With a new set of men, less jaded and more enthusiastic than M. Jean Rey's team now running the Market's Commission in Brussels under a new Italian Secretary-General, Signor Malfatti, there is propect of new approaches or of at least old approaches in a new spirit even in the Market's centre. There is also realization in Brussels, Washington and Tokyo that, in the end, there must be a rational solution to the textile problem. There is some prospect that new relationships between the most vigorous economic areas will be forced to emerge by a sheer urgent need to be reasonable. In the long run there is the possibility that the Atlantic Community will look to an equal across the Pacific and will no longer sustain unchallenged leadership from Washington nor narrowly protective attitudes from Brussels.

The prospect in all this for Indian and Pakistani textiles is complicated by the possibility of Brtiain being admitted to membership of the Common Market. Both countries will want to have their existing trade levels assured in a sharply more competitive world, and with some prospect of room for growth. Bilateral agreements with the Common Market for India and Pakistan seem to be one possible answer. A universally accepted preference for products of industrially developing countries might be a more ideal answer but its problems are so involved and protective instincts so intense that prospects of such a solution scarcely exist at present.

In the last three years, ITC/ILTD together earned an average of Rs.10 crores a year in foreign exchange

India Tobacco Company Limited and its tobacco supplier and sister organisation, Indian Leaf Tobacco Development Company Limited, are the largest net earners of foreign exchange in the entire tobacco industry in the country. Through exports of unmanufactured leaf tobacco—and of some cigarettes—they earned Rs. 71 crores in foreign exchange from 1958 to 1968.

In the last three years, these exports have been worth an average of Rs. 10 crores per year. Indeed, Indian Leaf Tobacco Development Company Limited, received the Government of India's Certificate of Merit for Outstanding Export Performance for the period 1966-68.

India Tobacco Company Limited and Indian Leaf Tobacco Development Company Limited together are determined to continue doing their very best in this vital national task of earning more foreign exchange, with the willing help and active co-operation of their overseas associates, despite increasing international competition.

India Tobacco Company Ltd.

ITC-P82

The moving finger writes

RAJAJI is a very old man who must necessarily be in a great hurry. It is therefore quite natural for him to want to see several steps ahead in the direction of a grand alliance of democratic, nationalist parties. The plain truth, however, is that his impatience is unrealistic. Although the AICC resolution of the official Congress (which was adopted in New Delhi recently) does go a long way towards making concerted action possible among political parties such as the Jan Sangh, the Swatantra party and the official Congress, these parties have not ceased for that reason to be separate political personalities, each with its own principles, priorities and, let us add, prejudices. The rank-and-file of none of these parties seems anxious to shed its political identity overnight. Among the leaders of each of these parties, again, differences of temperament or even genuine convictions persist. Add to this the divergences in personal interests or the clash of personalities and it is easy to see why Rajaji remains a lone enthusiast in the cause of a grand alliance here and now.

For the moment, then, what may be expected is only a working arrangement among the official Congress, the Jan Sangh and the Swatantra party for offering effective opposition to the ruling Congress party in Parliament. The resistance in the Gujarat PCC of the official Congress party to the idea of a grand alliance need not come in the way of such a limited understanding. What may possibly create difficulties is any insistence on the part of the Jan Sangh that there should be a common minimum programme even for the formation and functioning of a joint opposition bloc in Parliament. Mr A.B. Vajpayee would do well to listen to Rajaji's wise admonition that, in this matter, faith may well be the better part of reason.

If democracy and the parliamentary form of government are to survive and function successfully, there should be a viable alternative to the party in power. This is apart from the question whether any given government of the day is a good government or not a good government. If a sufficient number of the electorate considers that a particular political party or combination of political parties is providing good government, that administration, obviously, will continue to be in power. If, at the same time, there is a section of the electorate which believes that things could be better if there were to be a change of government, it should not be made to feel frustrated through there being no possible alternative to the party or persons in power. Much of our current political and economic ills are due to the fact that the electorate has been demoralised by the thought or belief that it has very little choice in the matter of government at the national level. There is, in fact, a feeling of fatalistic helplessness in the country. Both Mr Kamaraj and Mr Masani have rightly emphasised the responsibility which democratic, nationalist parties have for correcting this state of affairs and restoring the people's faith in the party system through which alone parliamentary democracy can work.

* *

Even after allowance is made for the fact that much cannot be expected of the new Finance Minister so early in his tenure at this ministry, there could be considerable disappointment at Mr Y.B. Chavan's performance at the meeting of the custodians of nationalised banks. Whatever may be the merits of the directive that nationalised banking should work out a scheme for charging concessional rates of interest to the "smaller" or "poorer" borrowers, it could hardly be contended that this issue deserves the priority accorded to it. It is true that the Finance Minister was quite expansive about the supreme importance of the mobilisation of deposits on a grand scale, but this indicated more the government's discomfiture over the uninspiring performance of nationalised banking to date in this vital area of banking development than any concretization of constructive ideas on the part of the Finance Ministry's much publicised Department of Banking.

The real issue before this meeting of the Finance Minister with the custodians was the building up of public confidence in nationalised banking and, as a first step in this direction, the imparting of credibility to the government's role as a responsible owner and manager of the nationalised banks. The laxity in the pronouncements and practices relating to the making of loans to the so-called priority sectors or preferred categories of borrowers, the excesses committed by one nationalised bank after another in the form of wasteful branch expansion, suspicions in the public mind about burgeoning corruption among the officials of these banks in the matter of sanctioning advances, the increase in inefficiency, indifference or even plain discourtesy on the part of the staff, particularly clerical, of nationalised banks in their dealings with the clientele and, finally, the exercise of political and bureaucratic patronage in the selection of personnel for the interim boards the composition of which seems to have few other merits than that of emphasising government ownership of the banks concerned have all had an extremely unsettling effect on informed opinion in the country.

This made it all the more necessary for assurances to be given by the new Finance Minister on the first opportunity available to him that it would not be his policy to encourage a continuance of political adventurism or bureaucratic amateurism in the government's conduct of nationalised banking. It was equally essential that Mr Chavan should have made it clear that, so far as monetary and credit policies were concerned, they would strictly be the concern of the Reserve Bank and the Government of India in the Department of Economic Affairs of the Ministry of Finance and that in respect of the management or the banking activities of nationalised banks, the Reserve Bank, *vis-a-vis* the Banking Department of the Ministry of Finance, would have the same rights and responsibilities as were enjoyed or exercised by it when these banks were in the private sector and as are still being exercised by it in the case of banks which continue to be in the private sector. Had Mr Chavan spoken thus, it would have helped to persuade public opinion that, although the 14 banks were nationalised as an exercise in power politics, the government at least intended to make an attempt hereafter to manage them on sound business principles. Such a lead from the Finance Minister would also have served to stiffen the professional backbones of custodians who, with a few honourable exceptions, appear to have allowed themselves to be overwhelmed as much by the imperial ways of their new masters as by the political impact of the new dispensation itself.

V.B.

Trade Winds

DEVELOPING BACKWARD AREAS

WITH A view to accelerating the pace of industrial development in the backward areas of the country, the Industrial Development Bank (IDB) and the Industrial Finance Corporation of India (IFC) have decided to give financial assistance on concessional terms to small and medium-sized industrial enterprises. The concessions include: (i) one per cent lower interest rate, from 8 ½ per cent to 7½ per cent (with a rebate of half a per cent for punctual payments of the instalments of interest and principal); (ii) extension of the period for the repayment of the first instalment of the principal amount of the loan from the present three years to five years; (iii) a longer period for the repayment of loans — 15 to 20 years as against 10 to 12 years at present; and (iv) 50 per cent reduction on the normal service charges of the two institutions.

In the case of IFC, the margin of security has also been reduced from 50 to 30/35 per cent. It means that the equity-debt ratio of 1:2 would be now acceptable to the IFC, instead of 1:1 at present. The IFC would also be prepared to accept a lower contribution from the promoters to the cost of the project than its present normal requirements. Depending on the merits of each case, the IFC would also be prepared to consider participation by way of underwriting or otherwise in the share capital of an industrial concern located in a backward area or state to a greater extent as compared to projects located elsewhere.

The concessions will be normally applicable to cases where the total project cost does not exceed one crore of rupees. Concessional finances for bigger projects will be considered on a selective basis.

The backward districts and areas to which the above concessional terms of finance are applicable are:

Assam: Goalpara, Cachar, Nowgong, Kamprup and Mikir Hills District; Bihar: Palamau and Saharsa; Gujarat: Panchmahal, Kutch, Amreli, Sabarkantha and Banaskantha; Haryana: Mohindergarh and Hissar; Jammu & Kashmir: Srinagar, Anantnag, Baramula, Jammu, Kathua and Udhampur; Mysore: Chitradurga, Raichur, Bellary and Bijapur; Orissa: Bolangir, Mayurbhanj, Dhenkanal and Kalahandi; Punjab: Hoshiarpur; Rajasthan: Jalore, Banswara, Dungarpur, Nagaur, Churu, Alwar and Tonk; Uttar Pradesh: Almora, Azamgarh, Baharaich, Banda, Ballia, Badaun, Chamoli, Fathepur, Garhwal, Ghazipur, Hamirpur, Hardoi, Jalaun, Jaunpur, Jhansi, Mainpuri, Phillibhit, Pithorgarh, Pratapgarh, Rai Bareli, Sultanpur, Tehri Garhwal, Unnao and Uttar Kashi; West Bengal: Purlia, Bankura, Midhapur and Darjeeling.; Union Territories: Andaman & Nicobar Islands: (entire area); Dadar & Nagar Haveli : (entire area); Goa, Daman & Diu : (entire area); Laccadive, Amindive & Minicoy Islands: the inhabited islands; Manipur: (the entire district); NEFA: (entire area); Pondicherry: (entire area); Tripura: (entire area).

Some more districts will be identified shortly.

Projects in backward districts or areas which receive a grant or subsidy from the central government are also eligible for these concessions from the two institutions. Some more districts are proposed to be identified for this concessional treatment shortly.

Similar schemes are expected to be announced shortly by the Industrial Credit and Investment Corporation of India and the Life Insurance Corporation.

It may be recalled that the National Small Industries Corporation (NSIC) —a Government of India undertaking— liberalised last month its terms for the supply of machinery to small entrepreneurs on hire-purchase. The liberalised terms of the NSIC are : (i) the earnest money which an entrepreneur has to pay for the machine taken on hire-purchase has been reduced to 10 per cent in case of indigenous machines and a bare five per cent in the case of imported equipment (till lately, the earnest money which an entrepreneur had to pay was 20 to 50 per cent of the value of the machine taken on hire-purchase); (ii) the service charges of the corporation have been reduced from six to two per cent of the value of the machine; (iii) the entrepreneurs are now required to pay only the actual charge; incurred by the NSIC for acquiring imported equipment on their behalf, as against the 3½ per cent charges collected earlier. Some other liberalisations in this hire-purchase scheme are also contemplated.

EXPORT-ORIENTED INDUSTRIES

The union government is understood to have approved the guidelines for giving licences to larger industrial houses, foreign concerns and dominant undertakings for export-oriented units. Normally, larger industrial houses will not get licences for the middle investment sector which covers investments between one and five crores of rupees. If these houses, however, are prepared to export a minimum of 60 per cent of the production, they will be allowed to enter the middle sector. While giving a licence, the government, it is learnt, will make sure that the balance 40 per cent production, which will be allowed to be marketed locally, will not be so large as to swamp the other production units.

In the case of items reserved for the small-scale sector, the larger industrial houses, foreign firms and dominant undertakings will also be allowed to set up units provided they will export at least 75 per cent of their production and the remaining 25 per cent output will not be so large as to swamp the existing small-scale units.

The usual scrutiny of these applications by the various committees of the government as well as by the Monopolies Commission will be done before licences were granted.

The government has also approved a new export policy resolution. The details of this resolution are expected to be announced shortly.

U.K. IMPORT DEPOSIT LEVY

Britain's import deposit levy scheme is to end on December 4, it was announced in the UK Parliament on 22 July, 1970. Before that, the rate of the levy will be reduced. At the moment it is 30 per cent. From September 1, until the scheme ends it will be cut to 20 per cent. The levy scheme introduced by the Labour government as part of the package deal to boost Britain's balance of payments, involved the payment into customs by importers of a deposit based on the value of goods. Originally this was 50 per cent. The Labour government later lowered it first to 40 per cent and then to 30 per cent in its April budget.

COTTON & CASHEW CORPNs

Import of cotton is to be canalised through a public sector corporation which will at a later stage also handle internal trade in cotton. A decision to set up a cotton corporation in the public sector was taken on July 24, by the union cabinet. The take over of cotton imports will start from September 1, with the new cotton season. Cotton imports are valued between Rs 80 crores and Rs 100 crores a year. The cabinet also decided to set up a corporation for the import of cashew. The corporation, which will be a subsidiary of the State Trading Corporation will handle cashew imports worth Rs 30 crores. It will also handle the processing of cashew kernel.

I. R. C.

The two-day session of the Standing Labour Committee which concluded recently recommended constitution of an Industrial Relations Commission both at the centre and in the states. The commission will consist of a judicial officer as chairman and two non-judicial members well-versed in problems relating to industry, labour and management. The functions of the IRC will be certification of representative union, adjudication of industrial disputes referred to it and such other functions as may be assigned. Unanimous and majority recommendations of the IRC's will be binding on all the parties. The appropriate government shall continue to have the same powers in respect of conciliation as at present under the Industrial Disputes Act. They will also have powers to intervene in the industrial disputes in non-essential industries at any stage and refer it for adjudication to IRC. The parties to the dispute have also been given right of choice between strike/lockout or adjudication. In essential services, on failure of conciliation, either party can take the issue to IRC for adjudication. Provision would be made in law for disposal of adjudication ordinarily within six months unless the time is extended and reasons therefor accorded in writing by IRC labour courts.

MAJOR PORTS COMMISSION

The Major Ports Commission, headed by Mr. R. Venkataraman, Member (Industry), Planning Commission, has recommended that return of 12 per cent on the capital invested should be a minimum objective of major ports. This financial objective should take care of such obligations as interest charges needs of replacement, rehabilitation and modernisation of capital assets and reserves for development, repayment of loans and contingencies. For achieving this objective, the Commission has recommended a series of changes in the ports' policies relating to port rates and charges. According to the Commission, the port managements should evolve rates of tariff between the lower limit of direct costs on the one hand and the upper limit of "what the traffic can bear" on the other. Where, in national interest, the ports are required to handle traffic at concessional rates, the commission had recommended a reimbursement of the difference between the rate charged and the cost of service from the government or the agency at whose instance the concession was granted.

Considering the importance of ports to the national economy and the substantial financial assistance given by other countries to port authorities, the Commission has recommended that an outright grant to the extent of 20 per cent of the capital cost of civil works, including berths, breakwaters, reclamation, capital dredging, etc., should be provided by the government. In the case of newer ports, such as Kandla, Paradip, Mangalore and Tuticorin, the commission recommended that the obligation to payment of interest and repayment of principal should be limited to 50 per cent of the capital, outlay and the balance of 50 per cent should be treated as "deferred redeemable capital", which will carry no obligation to the payment of interest nor have any regulated schedule of repayment. The Commission has also drawn up a blue-print for development of ports in the next decade. It has emphasised the urgency of modernising ports. The Commission has recommended that Haldia on the east coast and Bombay (Nhava-Sheva) on the west coast should be developed immediately as full-fledged container ports with all modern facilities.

DIFFERENTIAL INTEREST RATES

The chief executives of the nationalised banks recently approved in principle the proposal for differential rates of interest for lending with the advantage of a lower interest going to the weak sections engaged in productive endeavours. The executives left it to the Reserve Bank and the Banking Department of the Finance Ministry to work out the details. The Finance Minister, Mr Y.B. Chavan, who presided over the meeting told newsmen that the differential rates of interest would be applied sector-wise. The idea was to charge a higher rate from bigger farmers and a lower rate from small farmers. The meeting also discussed deposit mobilisation, the role of the public sector banks in relieving unemployment and the price situation. Discussing the role of banks in maintaining the price line, they favoured selective credit control in respect of sensitive commodities such as cotton and oilseeds.

TRADE WITH TANZANIA

A trade delegation from Tanzania has shown interest in a number of commodities, particularly chemicals and pharmaceuticals. Recently, a high official of that country's nationalised trade organisation, the State Trading Corporation, negotiated for the export of Indian tooth powder. Following this visit an Indian firm has secured an order for the export of Rs 83,000 worth of tooth powder to the STC in Tanzania. It is believed that there is a large potential for the export of mosquito repellents and air-purifiers. The visit of two top officials of the Tanzanian STC is likely to result in increased exports to that country. The Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council expects to improve exports to that country this year.

CEMENT UNIT AT MANDHAR

The Mandhar Cement Factory, a public sector unit of the Cement Corporation of India, was inaugurated on July 26, 1970, by Mr S.C. Shukla, Chief Minister of Madhya Pradesh. The 200,000 tonnes capacity plant, mostly fabricated indigenously, will be using the wet process for production of cement. The Rs 4.7-crores project has been completed within three and a half years. The second phase of the project which will double the production envisages the production of cement by inter-grinding of blast furnace slag from the Bhilai steel plant with clinker.

NEW TV SET RELEASED

Televista, a 24-inch screen television was released by the union Minister of State for Information and Broadcasting, Mr I.K. Gujral, on July 25. It will be priced at Rs 1,900 exclusive of local taxes. The "Televista" has been developed by a consortium of small-scale manufacturers of the Okhla Industrial Estate, with the help of know-how provided by the Central Electronics Engineering Research Institute, Pilani. Mr V.P. Luthra, President of the All-India Radio Merchants' Association, who is one of the sponsors of the consortium, stated that they would simultaneously release a 19-inch screen set, priced at Rs 1,500. The consortium would also market a nine-inch battery operated "carry-with-you" TV set within a year, he added

I.A.T.A. CONFERENCE

Members of IATA, which include the leading international airlines, will meet in Honolulu in September to discuss outstanding problems. BOAC has submitted its proposals, which, if accepted, should make significant changes in fare-structures. Through these proposals it is hoped to broaden existing markets and tap new ones with new promotional fares and by rationalising existing types of bulk holiday fares. For instance introduction of Earlybird type fares on north and mid-Atlantic and on Australasian routes are proposed to be sought. Substantially discounted youth fares from a number of countries are proposed. BOAC also hopes for introduction of piece system instead of a weight system for baggage.

Company Affairs

TATA OIL

MR J.R.D. Tata, Chairman, Tata Oil Mills Co. Ltd, in a statement to the shareholders revealed that the company had increased its turnover by about 70 per cent during the last two years and during the year 1969-70 the gross revenue at Rs 39.47 crores was 33 per cent more than that during the previous year. In the light of these improved results the directors of the company had recommended an increase in dividend from 17 to 18 per cent in the form of bonus of 25 paise per share. He added that the directors had suggested the issue of right shares in the ratio of one for every two held at a premium not exceeding Rs 15 per share as may be approved by the Controller of Capital issues. This would add Rs 155.97 lakhs to the company's fund and appreciably improve the debt equity ratio and thereby, the borrowing capacity.

Mr Tata revealed that the company had entered the fisheries industry during the previous year and by the end of the current financial year it had already exported Rs 52 lakhs worth of frozen shrimps mainly to Japan. The company has renovated and commissioned the cold storage and shrimp processing plant leased from International Fisheries. He added that the government had informed the company regarding the grant of a licence to obtain trawlers which will reduce dependence on the purchase of shrimps and also enable the company to fish in areas further away from the coast which could not be covered by the smaller vessels employed by fishermen. In view of the fact that the export of marine products are likely to increase at an annual rate of 14.5 per cent in the coming decade Tata Oil proposed to take full advantage of the opportunities opened by the demands created with the growth of affluence both in the west and in Japan for sea food specialities and shrimps in particular.

The company's efforts to investigate opportunities abroad proved successful and Mr Tata informed the shareholders that arrangements had been completed for the manufacture of toilet soap at Mwanza in Tanzania to meet the requirements in some of the east African countries. Similarly the manufacture of hair oil was started in Singapore and a branch office had been established there. He hoped that further detailed investigations would be possible in other south-east Asian markets.

Tata Oil received an industrial licence along with a grant for necessary foreign exchange for the large-scale manufacture of protein isolate and high protein formulated foods and beverages. Mr Tata indicated that these new lines of protein-based food products and the sale of protein isolate to industrial consumers would be developed speedily. He added, that there was an urgent need to provide high protein food at economical prices for all age-groups, particularly for growing children. "The average protein intake of the majority of our population is less than half the level recommended by nutritional experts. We hope to close, to some extent, this protein gap, thereby contributing to the improvement in the nutrition in the health of our people", stated Mr J.R.D. Tata.

BIRLA JUTE

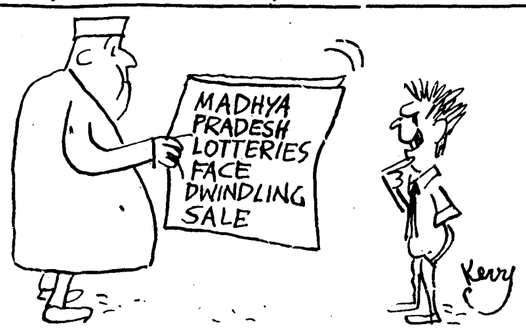
Birla Jute Manufacturing Co. Ltd has shown considerable improvement in its working during the year ended March 31, 1970. The preliminary statement released by the company, shows a higher gross profit of Rs 469.30 lakhs as against Rs 320.67 lakhs in the preceding year. After providing Rs 18.37 lakhs for managerial commission, Rs 144.67 lakhs for depreciation, Rs 110.00 lakhs for taxation and Rs 9.64 lakhs for development rebate reserve, there is a balance of Rs 186.70 lakhs. To this added Rs 69,984 being the balance brought forward from the preceding year and Rs 84,665 being income-tax refund, making Rs 188.25 lakhs. The whole amount of Rs 188.25 lakhs is transferred to general reserve. In the previous year a sum of Rs 21.00 lakhs was set apart for general reserve, Rs 28.45 lakhs for cement expansion reserve and Rs 40.00 lakhs for dividend equalisation reserve. The directors have proposed a dividend of 90 paise per share (payable from general reserve) on ordinary capital increased by the the bonus issue in the ratio of one-for-one. In the preceding year, a dividend of Rs 1.50 per share was paid on the original capital. The dividend is payable to those shareholders registered as on September 21, 1970. The directors have also a proposal to issue rights shares shortly in the ratio of one-for-four and the proceeds will be utilised for the construction of the Durgapur cement plant and for other expansion plans

UNIVERSAL CABLES

Universal Cables Ltd has produced encouraging results for the year ended March 31, 1970. The preliminary statement reveals a gross profit of Rs 77.03 lakhs gainst Rs 41.37 lakhs for 1968-69. After deducting Rs 3.49 lakhs for managerial remuneration, there is a net surplus of Rs 73.54 lakhs. To this are added Rs 49,214 being the balance brought forward from the previous year and nil transferred from general reserve, making an available sum of Rs 74.03 lakhs. From this, Rs 35.67 lakhs is provided for depreciation, nil for taxation and Rs 26.00 lakhs for development rebate reserve, leaving a balance of Rs 12.37 lakhs. The balance for the year of Rs 12.37 lakhs is transferred to general reserve. The directors have proposed to maintain the dividend at one rupee per share, payable from general reserve. The dividend is payable to those shareholders registered as on July 29.

LARSEN & TOUBRO

Mr H. Holk-Larsen, Chairman of Larsen & Toubro Ltd has stated in his annual statement to the shareholders that the company is in a sound shape and is well equipped to take advantage of the opportunities that lie ahead. The year has been one of consolidation. Its inventories were maintained at a reasonable level and its procurement organisation rationalised. Its backlog of orders continues to show an upward trend. The company is directing its efforts and resources towards electronics, nuclear fabrication, high pressure equipment and other fast developing technologies. Mr Larsen indicated that the company's policy of a continuous assessment of new technological areas and its development of capabilities to meet the many new opportunities would bring good returns to the shareholders. The total sales of the Larsen and Toubro group for the year are Rs 33.7 crores, an increase of Rs 2.30 crores over the previous year. The sale of products manufactured by the company and its subsidiary and associate companies accounted for 54 per cent of the company's sales against 48 per cent in the previous year. The company, therefore, is depending increasingly on its own manufactured products and this trend is likely to continue in future years. During the year its export amounted to Rs 50 lakhs against Rs 20 lakhs in the previous year and are expected to increase to Rs 80 lakhs during the current year.



Shouldn't centre subsidise losing state government lotteries?

ASSOCIATED GLASS

Associated Glass Industries Ltd, Hyderabad, is offering for public subscription 441,000 equity shares of Rs 10 each and 30,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The subscription list will open on August 5 and close on August 17 or earlier but not before August 7. The company is setting up a glass factory in Hyderabad with a capacity of 24.000 tonnes. The plant is expected to go into production from October 1971. The Andhra Pradesh Industrial Development Corporation has entered into technical collaboration with Messrs Komplex Budapest, Hungary, for the supply of technical know-how and plant and equipment. The company has an authorised capital of three crores of rupees, comprising Rs 60 lakhs worth of preference shares of Rs 100 each and Rs 2.40 crores worth of equity shares. The present issue is for Rs 30 lakhs worth of preference shares and Rs 90 lakhs worth of equity. Of this, Rs 45.90 lakhs worth of equity shares is taken up by promoters, directors and their friends of which Rs 25.90 lakhs is taken up by the Andhra Pradesh Industrial Development Corporation.

CHEMICALS AND PLASTICS

Chemicals and Plastics India Ltd will enter capital market on August 3, with an issue of 60,000 (9 per cent, free from income-tax, payable by the company but subject to the deduction of tax under Section 194 of the Income-tax Act 1961) convertible cumulative redeemable 'B' preference shares of Rs 100 each. The issue will close on August 13, or earlier at the discretion of the directors but not before August 5, 1970. The company has an authorised capital of three crores of rupees and issued, subscribed and paid-up capital of Rs 1.75 crores. The holders of the cumulative redeemable preference shares will have the option to convert one-third of the preference shares into equity shares at par after five years. At the end of the sixth year from the date of allotment and during the first month of the seventh year, the holders wil have the option to convert further one-third of the preference shares into equity shares at par value or 15 per cent less than the market value, whichever is higher. At the end of the seventh year from the date of allotment and during the first month of the eighth year the holders will have the option to convert the balance of the preference shares at par value or 10 per cent less than the market value whichever is higher. If option as prescribed above is not exercised, the shares will continue to remain as redeemable cumulative preference shares until the end of the twelfth year from the date of allotment, when they will be definitely redeemed. Out of the present issue the foreign collaborators of the company, B.F. Goodrich Company of the USA have agreed for allotment of 15,000 shares. The promoters, founders, directors and their friends have agreed to subscribe for 15,000 shares and the remaining 30,000 shares are being offered to the public at par for cash. The entire issue has been underwritten.

ROHIT PULP

The directors of Rohit Pulp and Paper Ltd have proposed a dividend of eight per cent for the 15 months ended March 31, 1970. The company's working during the period has resulted in a higher profit of Rs 18.52 lakhs against Rs 3.10 lakhs for the 12 months of 1968. A sum of Rs 14.90 lakhs has been provided for depreciation including Rs 6.40 lakhs for 1968 which had not been provided for. No provision has been made for development rebate. After making adjustments, there remains a surplus of Rs 3.06 lakhs out of which a sum of Rs 3 lakhs has been transferred to the general reserve. The proposed dividend is to be paid out of the general reserve. It absorbs Rs 2.40 lakhs. The production for the 15 months has been placed at 6,912 tons againt 4,510 tons in 1968. The monthly average production is higher at 461 tons against 376 tons. Net sales have gone up from Rs 1.04 crores to Rs 1.65 crores.

GRAUER AND WEIL

Grauer and Weil (India) Ltd, is offering for public subscription Rs 25 lakhs out of which Rs 16.75 lakhs will be equity shares of Rs 10 each and Rs 8.25 lakhs in 9.5 per cent preference shares of Rs 10 each. The subscription list opened on July 30, 1970, and will close on August 8 or earlier but not before August 4. The entire issue has been underwritten. The company is engaged in the manufacture of electroplating equipment and other allied products. It has technical collaboration with Pernix Enthone of the UK. The company has also entered into a technical collaboration with Enthone Inc., of the USA, a subsidiary of American Smelting and Refining Co. It has lately entered into technical collaboration with Langbein 'Pfanhauser Werke, A.G. of West Germany for the manufacture of electroplating brighteners and other chemicals. The present issue is being made to meet the expansion programme of the company which will raise its turnover. The present capital of the company is Rs 8.79 lakhs in equity shares of Rs 10 each. It has got two factories and has been paying regularly dividend, which it hopes to maintain on the enlarged capital on the completion of the expansion programme. The new shares will rank *pari passu* with the existing shares for dividend from the current year.

MAFATLAL

The directors of the Mafatlal Fine Spinning and Manufacturing Co. Ltd have stated that the performance of the textile division during the year was better compared to that of the past few years. There was a swtichover to an increasing percentage of man-made fibre fabrics to meet the growing demand. The costs during the year increased but in spite of that the company's production and sales revealed a definite upswing resulting in better profitability compared to the previous year. As against this, production in the flourine chemical division was erratic largely due to insufficient supply of the basic raw material — acid grade fluorospar. However, during the current year the company hoped to get a part of its requirements from the Gujarat Mineral Development Corporation which had recently gone into production and the position by way of imported raw materials was satisfactory for the time being. The plant was therefore expected to run on a continuous basis. During the year the production of fluorocarbon gases was not to its full manufacturing capacity because large quantities of imported gases allowed under export promotion scheme were available in the market. The government has now banned this item to a large extent and this should help the company during the current year. The company received the capital goods licence for the expansion of cryolite and aluminium flouride and it hoped to implement this project as soon as all other formalities were completed.

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Readers' Roundtable

THE 'GENERALIST' AND THE 'SPECIALIST'

Sir,

Dr A. Appadorai (writing in your issue of July 10) has either misunderstood the reports appearing in the newspapers about the view of the Committee of Secretaries or he knows more than has appeared. The Committee of Secretaries has, according to Dr Appadorai, recommended a unified management pool and the ARC had suggested two hierarchies. Neither has done anything of the kind. It was the ARC, in fact, which suggested a uniform system and enunciated the principle that each job should be given to the person who is best qualified to do it irrespective of the label which he carries. On the other hand, the Committee of Secretaries has propounded the theory of a class of "professional managers", has enquired if any skills are needed at all for top management posts and, if press reports are to be believed, has argued in favour of the kind of experience which the generalist cadre is supposed to bring to top management posts.

It is not my purpose here to argue the case of one or the other but merely to point out what appears to me to be a whole series of arguments based on wrong premises.

As for the specialists being already consulted on policy matters, what Lord Fulton said about the British Civil Service would seem to apply very largely to the Indian counterpart. In any case, it does not help much to say that the administration had stood the test of partition and independence. Of course, the record could have been far worse; but then it could have been far better. And if *Eastern Economist* alone is to be believed, the record has been none too bright.

Yours, etc.,

K.G. Ramakrishnan
(Secretary General,
All-India Confederation
of Central Government Officers' Associations).

New Delhi,

Dr Appadorai writes:

"Two questions have been raised in the above communication:—

I. Has the ARC recommended two hierarchies? Here are extracts from the report of the ARC which answer the question clearly.

Part I of the Scheme

14. 'All posts of under secretaries and deputy secretaries in the secretariat and the corresponding posts with different designations in the attached offices should be examined and classified as falling (i) *within a functional area or* (ii) *outside the functional area*'.

'Functional' area

15. 'For the former type of posts, whether in the secretariat hierarchy or in the attached offices, the important requirement is, as already stated, the knowledge of the particular function or speciality concerned.'

Part II of the Scheme

Two Categories of Senior Mangement Posts

30. 'As in the case of officers considered in Part I of the scheme a clear distinction should be made between the *purely functional posts* and *posts falling outside the functional areas*'.

Senior Mangement Posts in the Functional Area

31. 'Senior management posts in which the knowledge of the subject-matter or the function is as important as managerial ability, should be classified as functional posts; for example, posts like that of the Engineer-in-Chief, CPWD, Members of the CW &PC and Members of the Railway Board, P&T Board and Central Board of Direct Taxes clearly fall within the functional area. These posts should be filed up by the relevant functional cadres — technical or non-technical, as the case may be'.

Posts Outside the Functional Area

'The area of selection for senior management posts outside the functional area should cover deputy secretaries serving in the specialisms in the headquarters as well as those who have served and returned to their parent cadres'.

2 (1) 'All posts in a functional area whether in the field or at headquarters or in the secretariat should be staffed by members of *the corresponding functional services* or by functional officers not encadred in a Service'.

3 (1) 'Posts of (or equivalent to) under secretary or a deputy secretary in the secretariat and the attached offices should be examined and classified as falling (i) within functional; or (ii) outside functional area'.

6 (1) 'Senior management posts in functional areas should be filled by members of the *respective functional services*'.

(2) 'Senior management *posts outside the functional areas* should be filled by officers who have had experience as members of the policy and management pool in one of the eight specialisms'.

(The ARC : Personnel Administration, pp. 18, 25, 118 and 119.)

II. Has the press report regarding the decision of the Committee of Secretaries been misunderstood?

Here is the text of the press report which speaks for itself under the caption :—

Separate Cadre of 'Specialists' Disfavoured

The *Statesman* of June 4 gives the following news item:—

'The Committee of Secretaries of the Government of India has rejected the proposal to divide services into "generalists" and "specialists" on the plea that at higher levels it is the ability to manage that is required, not technical knowledge.

The proposal was made by the Administrative Reforms Commission'.

The ARC specifically states that all posts in a given functional area which may be called 'functional posts' should be staffed by members of the corresponding functional service, if one exists, or by officers engaged in the corresponding function, though not encadred in a service.

Indeed, in stating that the Committee of Secretaries has propounded the theory of a class of 'professional managers' and has argued in favour of the kind of experience which the generalists cadre is supposed to bring to top management posts, Mr Ramakrishnan has unwittingly supported my interpretation that the Committee of Secretaries has recommended a unified management pool.

As for the point raised in the last paragraph of Mr Ramakrishnan's communication, this is a matter of opinion."

—Editor.

COMPANY MEETINGS

INDIAN COPPER CORPORATION LTD.

Address Delivered by Mr G.D. Kothari, Chairman, at the Annual General Meeting of the Company for the year ended 31st December 1969, held on the 22nd July 1970.

This is the first time that I have had the pleasure of addressing you and I take this opportunity of reviewing the affairs of your Company during the year 1969.

I propose to start by commenting on the Accounts and Directors' Report which have now been in your hands for some weeks.

ACCOUNTS

When compared to the profit for 1968, the profit for 1969 shows a decrease of Rs. 80,18,997/- but it has been possible to maintain the dividend because of a substantial reduction in taxation of Rs. 59,50,000/-.

The profit has decreased principally because of rising costs, including the effect of the Engineering Wage Board Award which was directly applicable to the Company's Works: the Wage scales of the Company's employees at its Works and Mines have always been equated, and the effect of this Award has therefore been extended to the Mines Employees also. Besides the increase in costs, the very low price paid by the Government of India for the Company's Copper Wire Bars restricted the Company's earnings.

You will have noted that a very substantial sum has been provided for depreciation: this is largely on account of the Nickel Sulphate Plant which came into production during the year.

LEASES

During 1969, the Company applied to the State of Bihar for the grant of a new lease to replace its previous application for the renewal of the two Siddheswar Leases: the latest information indicates that the Company would be well advised to take a Lease of an area slightly different from that covered by the former Leases in order to be in a position to exploit Surda Mine if it persists in depth. The Company's application requires the approval of the Government of India and this is still awaited.

The State of Bihar has sanctioned the grant of a Lease to cover the 2.25 sq. miles adjoining the Company's existing Mosaboni Lease: this Lease is required to permit Mosaboni Mine to be developed below 30 Level. The Lease deed has been prepared by the State Government and will be executed shortly.

With regard to the Royalty claim put forward by the State of Bihar in connection with the Lease for Mosaboni Mine prior to 26.10.1964, the position has not changed during the last twelve months and our writ petitions are still pending with the High Courts in Patna and Calcutta.

The State of Bihar has claimed Royalty from the Company and also from the Company's Superior Landlord: the Company is advised that no liability to the State of Bihar can be imposed on the Company but there may be certain liabilities in connection with the claim of the Government against the Superior Landlord.

The Company has been endeavouring to settle these claims by a tripartite Agreement to which the State of Bihar and the Superior Landlord should be Parties, but it has not yet been possible to arrive at this Agreement, principally because the matter is pending in the Courts.

WORKING REVIEW

The results for the year 1969 were satisfactory and the production might have been a record if the Company's Works had been operated for as many days during the year as in the previous record year of 1962. Becuase of the death of the late President and of the holiday for Gandhi Jayanti, the Works only operated for two fewer days and the result was a very slightly lower production than the record figure for 1962.

Costs continue to rise and the effect of the Engineering Wage Board Award will involve a further steep increase in the cost of production: the cost of other consumable stores and materials rose throughout the year and at the same time, as the Mines get deeper and deeper, it is inevitable that the ordinary cost of of raising Ore will increase year by year.

The Company's Ore Reserves show a small increase during the year and are being maintained at a satisfactory level.

The relations with the Company labour were upset to some extent by labour troubles in Jamshedpur but our labour remained at work and their efforts resulted in the high level of production to which I have referred.

In the Electrolytic Refinery, steady progress was maintained and this Plant is now working at a satisfactory level: the Nickel Sulphate Plant is processing the residues from the Electrolytic Refinery Tank House and its production is limited by the availability of this raw material: production during 1969 was very small owing to various teething troubles, but the Plant is now working more satisfactorily although production is less than we had hoped.

ROLLING MILL & COPPER PRODUCTS

In accordance with the restrictions imposed by the Government of India, production of rolled products was limited as in previous years: the demand from the market was satisfactory and the output was a little more than what had been possible previously. With regard to the Company's production of Electrolytic Copper, the Government purchased the bulk of the material produced at a price which was well below World Market prices: as a result of recent negotiations, the price payable by the Government of India is more realistic, but still falls far short of the price at which MMTC are offering similar imported material on the Indian market. In fixing the price Government should recognise that the Company has heavy comm tments in connection with its Expansion plans, which can only be financed by the accrual of adequate resources from the sale of its principal item of production, Electrolytic Copper, the price of which shoud therefore provide for a sufficient margin over and above the cost of production.

KYANITE

During 1969, the demand was very strong and our sales showed an increase of 1,440 tonnes when compared with the previous year.

There has been a substantial decrease in the Company's Ore reserves, largely due to widespread theft from our property involving large number of local villagers: I regret to say that one of the Company's Watchmen was murdered while defending the Company's property. Unless this thieving can be controlled, the future life of this property will be very brief.

DIRECTORATE

Mr. N.A.B. Hill, who had been the Company's General Manager since 1956, retired from the Company's service in July last and was succeeded by Mr. P.F. Nugent. The Company arranged to retain Mr. Hill's services as a Consultant for two years from October 1969 and Mr. Hill has been in India in 1970 looking into certain special aspects of the Company's Mining problems.

Since the end of 1969, Mr. H.W.G. Stamper has retired from India and I would like to express my appreciation of the services which both Mr. Hill and Mr. Stamper have rendered during the period when they were Directors of the Company.

STAFF

To conclude, the efforts of the General Manager and his Staff during 1969 resulted in a very high level of production, and I am sure you would wish me to thank them on your behalf for their exertions during a difficult year.

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TATA ENGINEERING AND LOCOMOTIVE CO. LTD.

The following is the Statement of Shri J. R. D. Tata, Chairman, Tata Engineering and Locomotive Co. Ltd., for the year 1969-70.

To the Members,

The financial results of the Company's operations in the past year were disappointing. The profit before taxes, at Rs. 274 lakhs was less than half that of the previous year, while the disposable profit at Rs. 130 lakhs was nearly a crore lower than last year.

2. The main cause for this set back was the strike which brought the Company's operations at Jamshedpur to a standstill for 48 days, from the 18th November 1969 to the 4th January, 1970. Apart from the direct loss of production, the prolonged stoppage of manufacturing operations resulted in a large build up of inventories immediately after the strike, due to the delivery by suppliers of the backlog of purchased materials, equipment and components, the shipment of which had been held up during the strike. Imported items, specially steel ordered long in advance in anticipation of normal production throughout the year also added to the pile-up of inventories which, being financed from increased borrowings, added to the burden of interest charge. Steps have been taken to reduce inventories with due regard to avoidance of hardship to the Company's suppliers, many of whom depend mainly on the Company's business for their existence and who would have had temporarily to close down had there been a substantial cancellation of the Company's orders on them.

DIVIDEND

3. In view of the set back in disposable profits, the Directors found it necessary to make a cut in the dividend on ordinary shares which had remained at 14 ½ per cent for the previous nine years. Whereas Rs. 10 ½ lakhs had to be drawn last year from General Reserve in order to maintain the rate of dividend, it would have required the withdrawal of Rs. 1.05 crores to do so this year, and the General Reserve would have diminished to a dangerously low figure of Rs. 0.43 crore even after the accretion of Rs. 0.45 crore released from the Development Rebate Reserve in accordance with provisions of the Income Tax Act 1961. While the figures justified a more substantial cut in the dividend, the Directors in order to minimise hardship to shareholders and in the hope that the results for the current year will enable the dividend to be re-established in full next year, decided to make a cut of only 1 per cent. I trust the shareholders will understand and approve of the Directors' action.

4. It is difficult for me at this stage to give shareholders an indication of the prospects for the current year. While production has been re-established since the strike at a level approaching but still not achieving full capacity, the Company still faces a good deal of uncertainties, particularly in the labour field.

5. Political in-fighting in the labour movement amongst our workers at Jamshedpur has left them without any effective and responsible leadership and vulnerable to the propaganda from extremist elements who subordinate the workers' interests to their disruptive political ends Thousands of workers lost over 1½ months' wages in a strike which was clearly not called to improve their lot but to further political objectives. Meanwhile, management continues in its efforts to come closer to the employees and to work with them towards the common goals of higher productivity and more efficient operations the only effective road to their own prosperity.

COST INCREASES

6. Apart from uncertainties in the matter of labour, which could adversely affect production and costs, and therefore profits during the year, the Company continues to be subjected to strong upward pressures in its costs. The prices of raw materials, ancillaries and components which the Company purchases mainly from local suppliers continue their unabated rise, while the tight steel supply position in the country compels us to import steel at higher prices to maintain production, thus accentuating the pressure on cost.

7. This constant pressure on profit margins has made the automobile industry today one of the least profitable industries, whereas manufacturers of automobile ancillaries who supply the auto industry flourish. For instance, in 1968-69, when the ratio of net profit to owned funds was 10.1 per cent on an average for all industries, the automobile industry could earn only 6.6 per cent whereas manufacturers of automobile ancillaries earned over 15 per cent.

PRICE POLICY

8. In spite of the pressures of cost inflation and Government levies your Company has always endeavoured to restrict increases in its prices to the barest minimum in order to protect the Indian consumer, particularly the independent road transport operator already burdened with crushing taxes, and also to remain competitive in export markets. Recently however, increases in wages and in the price of bought out materials and components reached a level which compelled us to increase our own prices. Economic discipline cannot, for ever, be exercised by a few alone. If India is to progress there must be some degree of all-round discipline. Increases in wages must, at some stage, begin to relate to productivity and in the case of our industry, the prices and profits of ancillary manufacturers must

also be controlled. Otherwise we will have to keep on increasing our prices merely to survive.

NEW PRODUCTS

9. The manufacture of steam locomotives at Jamshedpur, first begun in January 1952, ceased in June 1970 on the termination of the Company's commitment to the Railways. The Company has already implemented plants for the utilisation of the men and plant facilities released by the cessation of locomotive manufacture. New products, including tippers, forklifts and dumper placers, developed by the Company's research and development engineers, are now being produced in the shops previously engaged in locomotive manufacture. These new products will play an increasingly important role in speeding up material handling at factories, mines, cities, construction sites etc. while materially reducing its cost. Some of the new items, such as tippers have already been exported and found ready acceptance for their quality and performance in international markets.

The Company is thus beginning to earn a return on its investment in research and development, a field in which it has been in the forefront in the transport engineering industry. The Company's research and development organisation has already made a valuable contribution to new product development. With the Company now independent of foreign technical aid, it will have to rely increasingly on its own research and development programme.

10. The Company has at long last obtained clearance to import the equipment required for the introduction of the direct injection engine, improved transmission and additional capacity for spare parts. The direct injection engine will have a much lower fuel consumption than the present engine. This engine with the synchromesh gear box, will enable us to compete more effectively in intrnational markets.

11. The Company has also received, after considerable delay, import clearance for equipment required for increasing the manufacture of critical spare parts. With some 200,000 of our vehicles on the road, the demand for spare parts has increasingly exceeded supply. The scheme to increase their production, which will now be implemented expeditiously, will ensure that all users of our products are able to obtain adequate service and spare parts and thus derive the maximum benefit from our vehicles.

TWENTYFIVE YEARS' GROWTH

12. The year marked the completion of a quarter century of existence for the Company. It is therefore an apropriate occasion to review the history and growth of the Company since its inception. It is clear that except in the past year, the Company's history has been one of uninterrupted, and at times, dramatic growth. Financially, however, the early years were difficult and unprofitable. The Company's business was then almost entirely devoted to the manufacture of locomotives, boilers and wagon under-frames for which the Railways were unwilling to pay adequate prices. This turned out to be a blessing in disguise, for, by the early fifties, when despite protracted negotiations year after year it became clear that the Railway Board could not be persuaded to pay fair prices which would yield a reasonable return on the Company's investment and enable it to generate internal resources for growth, your Directors decided to switch its activities to the automobile industry in collaboration with Daimler-Benz A.G.

13. The soundness of this decision is reflected in the spectacular success and growth of the enterprise from 1955-56 onwards, since when the turnover has risen from Rs. 11.98 crores to Rs. 98.13 crores, wages from Rs. 1.31 crores to Rs. 12.19 crores, net profit after tax from Rs. 0.93 crore to Rs. 2.74 crores, and dividends from Rs. 0.33 crores to Rs. 2.21 crores. Thus, in the relatively short period of fifteen years, the Company established a powerful and dynamic engineering base, at first only at Jamshedpur and more recently also at Poona, and achieved a pre-eminent position in the country in the world of commercial vehicles.

END OF LOCOMOTIVE MANUFACTURE

14. At the request of the Railways, the Company agreed to continue with the manufacture of steam locomotives for some years in order to meet the country's needs. As stated in the Directors' Report, this part of the business has finally come to an end with the delivery of the last units shortly after the close of the year under review. During this period, the Company supplied a total of 1,156 complete locomotives, and 357 spare boilers. While we made little or no profit out of these orders, it is only right that we should acknowledge the part that the Railways played in the initial establishment of the Company and also their timely assistance when at our request they invested Rs. 2 crores in the capital of the Company at a time when we were badly in need of additional finance and could not raise it elsewhere.

SELF RELIANCE

15. Another important milestone in the history of the Company was reached in the past year when, for the first time, our Auto Division became totally independent of outside assistance and our vehicles were sold both in India and abroad on the sole strength of their own name and reputation. We have in previous Directors' Reports and Chairman's Statements paid a well deserved tribute to Daimler-Benz's major contribution to the success achieved by the Company over the last fifteen years and to its present technical strength.

16. While there was no reason to expect any adverse effect on our domestic sales, in view of the wide use throughout India of our vehicles, of which some 200,000 had already been put on the road, all vehicles exported by us in the past bore exclusively the name of Mercedes-Benz and its famous three-pointed star and were sold through Mercedes-Benz Agents. Shareholders will be glad to know that not only were our exports not adversely affected by the change of name, but they were more than doubled to a record figure of Rs. 7.22 crores. In fact, I believe they were the highest achieved by any engineering concern in India. Your Company is now earning every year more than double the foreign exchange it requires for the import of semifinished items and materials not available in the country. We are beginning and will continue in the future, to recoup to the nation the foreign exchange released to us in the initial years for the import of equipment and and production material.

FUTURE PROSPECTS

17. We thus start our second quarter century in good shape and with the strongest based engineering infrastructure and pool of technical and managerial skills of any engineering unit in the country. The highly qualified and experienced managers and skilled personnel, the intensive training facilities, the incessant steps taken to improve further the already high levels of quality, the research and development organisation, the prototype building and reconditioning facilities that we have generated, the basic facilities for supporting mass production such as created in our Press Tool and Machine Tool Divisions in Poona, the sustained efforts we have made to develop sources of supply to feed our operations — such are the tangible and intangible prerequisites of a successful large scale vehicle manufacturing operation which we have painstakingly built over the years, the fruits of which will accrue not only to us but to India as a whole.

18. Subject only to the extent to which we are able to overcome the profit squeeze to which we have been sub-

jected in the last two years and the uncertainties of Government's policies, we are now poised for a further advance in output and diversification. If instead of their restrictive philosophy in regard to the development of the private industrial sector, Government had followed the positive policies adopted with such spectacular success by the Governments of other developing countries, in keeping with the modern socialist theory and practice, the country's economy would be today in a period of explosive growth instead of its present stagnation and we would be playing a major role in such growth in our own field. Not only would we be increasing our capacity for commercial vehicles and diversifying their range, but we would have by now embarked on the manufacture of passenger cars, for which there is such a dire need in the country today, both in numbers and quality.

19. I still hope that we shall one day be permitted by Government to undertake the manufacture of passenger cars. When we do, I have no doubt that we shall make the same success of it as we did in commercial vehicles. The expansion and diversification of a major automobile manufacturing unit like Telco generates growth in ancillary units, including small ones, all over the country and thereby creates employment not only at our own Works but elsewhere. I hope Government will take note of this snow-balling effect when considering proposals for expansion of a Company such as ours.

END OF MANAGING AGENCY

20. On the termination of the Managing Agency Agreement your Directors have been good enough to place on record their appreciation of the services rendered by your erstwhile Managing Agents, Tata Industries since the inception of the Company. I would like to take this opportunity to express to shareholders on behalf of myself and my colleagues in Tata Industries who dealt with Telco affairs, our sincere thanks for the confidence, support and courtesy invariably extended to us during the period of our Managing Agency, and also to assure them that, although the firm is no longer responsible for the management of the Company, it will continue to maintain a close interest in its affairs and to serve its interests and promote its development and welfare in every possible way.

21. I am particularly happy that you have appointed as your Vice Chairman and Managing Director Mr S. Moolgaokar, who has been for the last twenty-one years chiefly responsible for the remarkable growth and performance of your Company. His continued presence at the helm, supported by the highly capable and experienced team which he has himself built up over the years, will ensure the required continuity of management and outstanding leadership which has served the Company so well upto now.

22. In conclusion, I would like to express on your behalf and that of the directors and myself our thanks to all the members of the management and staff of the Company, who carried out their duties with courage and determination under exceptionally difficult and at times dangerous conditions during the year.

23. Our gratitude is also due to those amongst the workers who refused to be intimidated by threats of violence to themselves and their families, and who out of good sense and loyalty to the Company refused to take part in a politically inspired strike which they knew to be both illegal and contrary to their real interests.

J.R.D. TATA
Chairman.

Bombay, 8th July, 1970.

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

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Rate of Interest on Fixed Deposits of over 6 years has been enhanced to 7%

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FOLLOWING ARE THE ENHANCED RATES OF INTEREST ON FIXED DEPOSITS OF 2 YEARS AND OVER.

2 years and over but upto and inclusive of 3 years 6%
Over 3 years but upto and inclusive of 5 years 6½%
Over 5 years but upto and inclusive of 6 years 6¾%
Over 6 years.....7%

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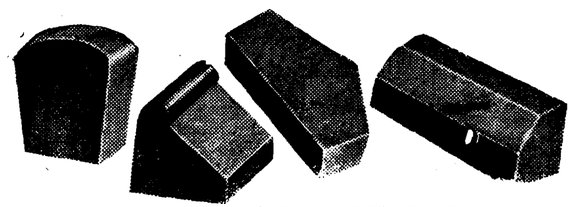

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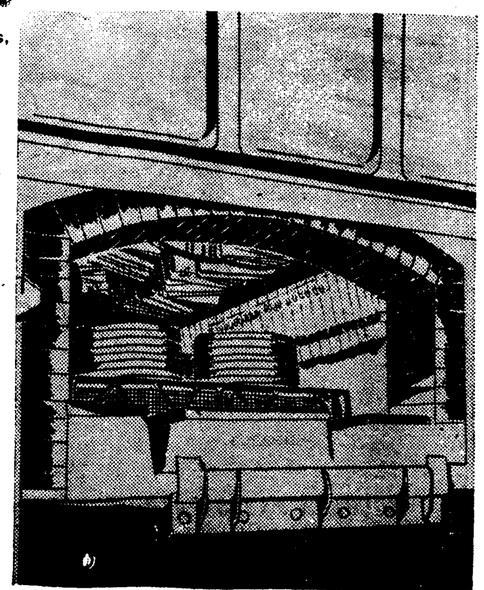

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THE TATA OIL MILLS CO. LTD.

Chairman's Statement

The following is the Statement of Shri J. R. D. Tata, Chairman, The Tata Oil Mills Co. Ltd. for the year 1969-70.

To the Members,

Continued Growth and Progress

In my Statement last year I said that the Management was determined to maintain a high rate of growth of the Company's operations in the interests of shareholders, employees, consumers, and the country as a whole. Shareholders will be glad to note from the Directors' Report and Statement of Accounts that this promise was more than fulfilled during the year under review.

2. At Rs. 39.47 crores the gross revenues for the year exceeded those of the previous year by no less than 33% while the disposable profit after taxes and allocation to the development rebate reserve rose to Rs. 81 lakhs which was 39% more than in the previous year.

3. In the light of these improved results your Directors have recommended an increase in the dividend from 17% to 18% in the form of a bonus of 25 paise per share. The balance of Rs. 41 lakhs has been taken to the general reserve which, after payment of the dividends, will stand at Rs. 130 lakhs.

4. It will be noted that in the last two years the Company's turnover increased by about 70% and profit before taxes and development rebate reserve by 86%, a gratifying achievement which reflects great credit on the Company's management and the hard work put in by all concerned.

Need for Further Capital

5. The shareholders will appreciate that such a rapid rate of growth in the manufacture and sale of consumer products such as ours involves a corresponding increase in the requirements of working capital. During the last five years the total funds employed in our business as well as our borrowings have nearly doubled. The fact that our reserves have also doubled is proof of the sound financial policy followed by your Board.

6. Even if we are unable to progress in the future as fast as we have in the last two or three years, in view of Government's misconceived policy of restricting the growth of large companies, particularly in consumer industries, we hope to continue to maintain a fairly high rate of growth which we cannot finance solely from internal savings and borrowings. The latter have already reached Rs. 11 crores resulting in a high debt-equity ratio of nearly 2.4:1. It is clear that we have reached the limits of our borrowing capacity within our present capital structure.

7. In the circumstances your Directors came to the conclusion that the time had come for a further Rights issue of shares and I hope that shareholders will approve of their recommendation to issue one Ordinary share for every two held at such a premium, not exceeding Rs. 15 per share, as may be approved by the Controller of Capital Issues. This would add Rs. 156.97 lakhs to the Company's funds and appreciably improve our debt-equity ratio and, therefore, our borrowing capacity. While in these uncertain times it is not possible to forecast profits and dividends more than a few months ahead, the Board hope that the Company's continued progress will enable them to maintain a rate of dividend on the increased capital which will fully satisfy the shareholders and safeguard the market value of their investments.

Developments

8. I had informed shareholders two years ago that in the evolving of our marketing strategy we had taken careful note of the growth potential in the rural markets consequent on the growth of agricultural production. Accordingly our marketing plans have been increasingly geared to a more intensive coverage of these markets with a view to facilitating the supply of the Company's products to millions of consumers who now have the purchasing power to buy them. In doing this we have benefited many thousands of persons with small means — retailers and shopkeepers who have now begun regularly to sell our products. In implementing this strategy the Company increased the coverage of rural markets by 38% in two years. During the same two years the Company's rate of growth in the sale of soaps has been double that of the Industry. Likewise, all our principal lines of business have contributed to the overall growth of our operations—soaps, detergents, toiletries, edible oils, proteins, new food lines, poultry and cattle feed and the newly started shrimp operations. Exports at Rs. 184 lakhs were also higher than last year.

9. During the year under review the Company purchased the plant and assets of the Vegetable Soap Works at Calicut to provide a production base in this area where we are strongly entrenched and our products are highly popular. Calicut will also provide a useful base for extending the Company's fisheries operations.

Fishing Industry

10. I had mentioned in my Statement last year that your Company proposed to enter the fisheries industry. I am glad to inform you that we commenced operations in the middle of last year and by the end of the financial year had already exported Rs. 52 lakhs worth of frozen shrimps, mainly to Japan. We now have in the Company a competent group, well experienced in fish operations. We have renovated and commissioned the cold storage and shrimp processing plant leased from International Fisheries which is now one of the best in the country. We have very recently been informed by Government that a licence will be granted to us for obtaining trawlers which will lessen our dependence on the purchase of shrimps and also enable us to fish in areas further away from the coast which cannot be covered by the smaller vessels employed by fishermen. The Company has plans to extend its fish operations to the East Coast using the Madras factory as the base for setting up cold storage and other facilities required for processing fish for exports.

11. Recent forecasts by the Planning

Commission anticipate that the exports of marine products during the coming decade will grow at an annual rate of 14 5% which will be more than double the rate of 7% forecast by the Planners for exports as a whole. Your Company intends to take the fullest advantage of the opportunities opened by the demands created with the growth in affluence both in the West and in Japan for seafood specialities and shrimps in particular. With Tomco's developing strength in food processing a valuable foreign exchange earning asset will thus be placed at the disposal of the country. Furthermore, in developing our seafood business we plan to operate in a manner that will directly associate with us and enrich a large number of small scale entrepreneurs and many thousands of fishermen spread over a large number of centres along both the country's West and East coasts.

Overseas Operations

12. In my Statement last year I had informed you that we were investigating opportunities to develop our activities abroad. I am glad to report that during the last year arrangements were completed for the manufacture of toilet soaps at Mwanza in Tanzania, to meet our marketing requirements in some of the East African countries. Similarly, manufacture of hair oils was started in Singapore and a branch office has been established in this great and growing metropolis of South East Asia. Further steps have been planned to extend the range of products to be manufactured in both these countries and also to manufacture some of them in Kuala Lumpur in Malaysia.

13. With the establishment of a branch of the Company at Singapore it is hoped that not only will there be better control over the existing lines manufactured by the Company but also it will now be possible for detailed investigations to be made in other South East Asian markets into which Tomco could profitably extend its activities.

Joint Ventures Abroad

14. During the last three years the exports of soaps and toiletry products from India have steadily declined, as a result of import restrictions and high tariffs in some of the importing countries in East Africa and South East Asia which, in the process of industrialisation, wish to protect their nascent industries. There is every danger that these markets, established as a result of more than two decades of sustained effort by Indian exporters, will be lost and with the markets will also be lost the foreign exchange earned from these exports. For India therefore it is imperative to embank on a programme of well-conceived joint ventures abroad. By so doing not only will it be possible for us to export to other developing countries our technical and managerial expertise but in several cases it will also be possible to export from India some of the capital equipment required to manufacture the products. It would be wrong to view joint ventures as a costly form of export promotion. In several cases it is increasingly becoming the only possible form of export. In fact the lower raw material costs in many of these countries will give a competitive advantage to products locally manufactured abroad, specially in East Africa and South East Asia, in comparison with the cost of products exported from India.

Exports

15. While the Company has made a small but good beginning in setting up joint ventures abroad, from which it hopes to maintain and increase its earnings of foreign exchange hitherto earned on direct exports from India, it will at the same time continue to seek new markets in other territories and new lines of exports, such as seafoods, to improve its total exports which, during the past year, reached the record figure of Rs. 1.84 crores.

New Products

16. **Protein Isolate**: I am glad to report that the Company has received an industrial licence and a grant of necessary foreign exchange for the large scale manufacture of protein isolate and high protein formulated foods and beverages. The Management intends to develop with all speed and energy new lines of protein based food products as well as to enlarge the sale of protein isolate to industrial consumers. There is great need in the country to provide high protein foods at economical prices for all age groups, but more particularly for growing children. The average protein intake of the majority of our population is less than half the level recommended by nutritional experts. We hope to close, to some extent, this protein gap, thereby contributing to the improvement in the nutrition and health of our people. A separate group has been created in the Company's Research and Development Department manned by highly competent and qualified scientists, for the development of protein foods for mass consumption. A beginning will be made during this year with the manufacture and marketing of MILPRO, a high protein beverage in Bombay. This beverage developed by the Company's food scientists, has been test marketed over a period of time and has been well received.

Aid to Small Scale Industries

17. India's industrial licensing policy is often based on static premises proceeding from the erroneous view that there is an inevitable conflict between the large scale sector and the small scale sector. Experience in other countries has shown that the development of large scale industry does not stand in the way of the rapid growth of small scale units. Indeed, the opposite has been the case and the creation and growth of large scale industries have stimulated the growth of small scale industries. Where necessary, monetary and fiscal incentives can be extended to increase the competitive power of the small scale sector.

18. It is often possible, with some ingenuity and innovation, to formulate schemes in which the large and small scale sectors can actively collaborate to their mutual advantage. The small units can be helped with technical know-how; they can be provided facilities of various types; more particularly a nation-wide marketing organisation built up by a large scale enterprise can be extremely useful to small units which cannot afford large marketing and market research departments of their own. We, in Tomco, have under consideration schemes under which the complementary role of the large scale sector and the small scale units will be highlighted. We hope this will be a practical exercise in useful collaboration and at the same time demonstrate the incorrectness of the thesis of the inevitability of conflict between these two sectors.

19. The present per capita consumption of soap in India continues to be extremely low. Taking into account the estimated production of 370,000 tonnes of soap manufactured by the non-power and cottage soap sector, and 246,000 tonnes of soap manufactured by the large scale sector, the total production of over six lakh tonnes of soap means that the per capita consumption is only 1.2 kg. of soap, whereas in many of the developing countries it is 5 kg., and in the more advanced countries 10 kg. Larger use of laundry and toilet soaps is closely linked with a rise in the standards of living. If, therefore, the Industry can make available larger quantities of soap at economic prices — and millions of consumers in large cities, small towns and in growingly prosperous rural areas are willing to use more soap — every impetus and encouragement should be given to entrepreneurs engaged in the manufacture of soaps to meet the rising demand, irrespective of whether they are classified in the cottage sector, the small scale sector or the large scale sector. Considering the extremely low level of soap consumption in the country there is, at least for a decade or more to come, scope for the growth of both the scheduled and small scale sectors of the Industry. There is therefore no justification for the restrictions being placed on the growth of the scheduled sector of the soap industry.

Tata-Finlay Limited

20. I am pleased to report that both the packet tea operations and the instant tea division made good progress during the year. As a result the Company for the first time showed a surplus. We can confidently expect that the sales of our packet tea will grow in the years to come. During the last year regular supplies of instant tea powder were exported to American markets and we have now finalised arrangements for its continuous supply during current year as a result of which practically the entire production of the plant will be exported. Steps are under way to enlarge the instant tea manufacturing capacity at Munnar mainly with the addition of certain balancing plant and equipment. Unless unforeseen factors intervene Tata-Finlay's operations may now be expected to show continuous improvement in the years to come.

Lakme Limited

21. The sales of Lakme products increased from Rs. 114 lakhs to. Rs 139 lakhs, an increase of 22%. Profits before taxes and development rebate reserve increased from Rs. 3.61 lakhs to Rs. 6.48 lakhs. The products of this Company are highly regarded by consumers. The increase in sales has come not only from the larger towns and cities but also from small towns and from many small markets in the more prosperous rural areas.

Industrial Perfumes Limited

22. Industrial Perfumes Limited, of which your Company owns 49%, also made significant progress during the last year with the profits before taxes and development rebate reserve increasing from Rs. 3.66 lakhs to Rs. 9.45 lakhs. The Company is making special efforts to enlarge the sales of perfume blends for various industries. A research and development group created in the company to develop process know-how for the manufacture of products which can no longer be imported and mainly utilising indigenous raw materials, is expected to contribute increasingly to the progress of the Company.

Management

23. The abolition of the Managing Agency system by Parliament brought to an end, on the 31st December 1969, your Company's association with Tata Industries and their predecessors Tata Sons over a period of fifty-two years. The statistics on pages 8 and 9 of the Report which present a picture of the chequered history of the Company over this half century do not fully reflect the struggles of the early years when the Company might well have gone under, had it not been for the determination of the Board and the Managing Agents to save and protect the shareholders' investment and reward their faith in the Company and the patience with which year after year they had waited for better days.

24. The salvation of the Company and its progress, at first disappointingly slow but now gratifyingly rapid, necessitated heavy sacrifices by a whole generation of employees who stood by the Company and endured lower salaries than their counterparts in more prosperous companies in the Tata Group. It was in their interests as well as those of the shareholders that your Managing Agents made substantial financial sacrifices of their own in order to enable the Company to survive. Your Directors have been good enough to record the Company's appreciation of the services rendered by the Managing Agents in a resolution to which reference has been made in the Annual Report.

25. If I may be allowed on this exceptional occasion the liberty of introducing a personal note, I would like to remind shareholders that I have been directly concerned with the management of the Company for over 45 years — first as an assistant in Tata Sons, then as a Director and finally as Chairman of the Managing Agents' firm since 1938, and of the Company itself. Throughout this long association I have had the good fortune of enjoying the goodwill and co-operation of the shareholders whose interests I did my best to promote and protect. I would like to take this final opportunity of thanking them for their consideration, courtesy and support and to assure them that although Tata Sons and Tata Industries are no longer responsible for the control and management of the Company, their concern for the welfare of the Company remains undiminished and they will continue to do everything in their power to promote the interests and further progress and development of this and other companies they had served for so many years.

26. I need hardly add that, so far as I am concerned, I shall, for so long as I remain active, continue to devote to the needs and interests of this and other companies previously managed by Tatas, as much of my time and energies as may be required. I wish all our shareholders continued and growing prosperity in the years to come.

27. With the approval of the shareholders accorded at the Extraordinary General Meeting of the Company held on 22nd December 1969, and with effect from 1st January 1970 Mr. M.A. Wadud Khan, previously Director-in-Charge of the Company on behalf of the Managing Agents, was appointed Managing Director, and Mr. C. N. Gosalia, previously Agent of the Company, was appointed Executive Director. They and their associates in the management of the Company have played a leading role in bringing the Company to its present stage of growth and prosperity and I commend them to the shareholders who will, I hope, extend to them the same confidence and support as they gave their erstwhile Managing Agents.

28. In conclusion, I am sure I express the wishes of the shareholders in recording here the Company's grateful thanks to the Management and all the employees of the Company for the exceptionally good work they have put in during the year. The soundness of the Management's policy in building good relations with employees and doing its utmost to protect and promote their interests is reflected in the co-operative effort which has made possible the outstanding results that your Company achieved during the year.

J.R.D. TATA.
Bombay, 10th July, 1970. *Chairman*

RECORDS AND STATISTICS

Diversification in Industrial Production

THE MINISTRY of Industrial Development and Internal Trade has revised the conditions for diversification of production for new article or articles by industrial undertakings up to 25 per cent of their licensed or registered capacity by value for which no licence would be required. The government is of the view that this would encourage entrepreneurs to increase productivity in their undertakings. The larger industrial houses, foreign companies or their subsidiaries and companies with total assets in land buildings, plant and machinery exeeding five crores of rupees have, however, been denied this concession.

The full text of the press note explaining the revised policy is given below:—

Revised Policy

Consequent on the modifications in industrial licensing policy recently announced, the Government of India has reviewed the existing policy of diversification in production which permits manufacture of new article or articles by industrial undertakings up to 25 per cent of their licensed or registered capacity (by value) without a licence under the the Industries (Development and Regulation) Act, 1951, subject to certain conditions. The relaxation in licensing policy pertaining to diversification of production, in its present form, was announced for the first time through a press note issued on October 27, 1966, and a notification on November 29, 1966, which were amended from time to time in the light of past experience and prevalent circumstances. The underlying approach of such relaxation has been that the regulatory mechanism of licensing should nevertheless allow and ensure fullest utilisation of installed plant and machinery through manufacture of new articles, subject to certain conditions. The present licensing policy seeks to assign certain definite roles and areas of operation to different categories of entrepreneurs and consistent with this policy, it has become necessary to redefine the policy of diversification.

The revised policy of diversification of production which is in supersession of all previous instructions on the subject was embodied in the notification of the Ministry of Industrial Development No. S.O./IDRA/29B/70/5 dated July 18, 1970, published in the Gazette of India Extraordinary of the same date. It has been decided by the government that, in future, industrial undertakings which are registered or in respect of which a licence or permission has been granted under the Industries (Development and Regulation) Act, 1951, shall have the freedom to diversify their production by taking up the manufacture of a new article or articles up to 25 per cent of their licensed or registered capacity (by value) without an industrial licence, provided that the following conditions are fulfilled:

(i) the industrial undertaking does not belong to or is controlled by any of the larger industrial houses as classified by the Industrial Licensing Policy Inquiry Committee in the list at Appendix II-A(1) of its report with such amendments to this list as may be made by the government from time to time;

(ii) the industrial undertaking is not a foreign company or a branch or a susidiary of a foreign company;

(iii) the total assets in land, buildings, plant and machinery of the industrial undertaking do not exceed Rs 5 crores;

(iv) the new article or articles to be produced or manufactured by the industrial undertaking are not those listed in Schedules I, II, III and IV annexed hereto;

(v) the article or articles for which the industrial undertaking is already licensed or registered are not one of those listed in Schedule III annexed hereto;

(vi) the new article or articles to be produced or manufactured are those which belong to allied lines of manufacture, namely, involving the same techlogical process as the article or articles for which the undertaking is registered or licensed;

(vii) there is no expenditure of foreign exchange involved directly or indirectly for import of capital goods, raw materials or components;

(viii) the manufacture or production of new article or articles does not involve installation of additional machinery (procured indigenously) of a value exceeding 10 per cent of the value of the total installed machinery or Rs 10 lakhs whichever is less; and

(ix) the production of the article or articles for which the industrial undertaking is registered or licensed is not less than 50 per cent of the productive capacity so licensed or registered.

It is clarified that such industrial undertakings as have already established production or manufacture of certain new article or articles in accordance with the policy of diversification in force hithertofore but are not covered by the revised policy of free diversification explained above, will have to obtain a licence or permission, as the case may be, for carrying on the business of the undertaking in respect of such new article or articles within three months of the date of this press note (July 18, 1970). The industrial undertakings should apply for a 'carrying on business' licence in form 'EE' prescribed under the Registration and Licensing of Industrial Undertakings Rules, 1952. While applying for a licence in form 'EE', the industrial undertakings should also furnish the additional information in the proforma at Schedule V.

Exemptions in Licensing

In this Ministry's notification No. S.O. 173/IDRA/29B/70/1 dated February 19, 1970, relating to modifications in the industrial licensing policy, it was stated that industrial undertakings with fixed assets in land, buildings, plant and machinery up to one crore of rupees would be exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951 including those relating to manufacture of new article or articles subject to the conditions detailed therein. This exemption in respect of new articles will continue. It is clarified that the relaxation for the manufacture of new article or articles embodied in notification No S.O./IDRA/29B/70/5 dated July 18, 1970, will not be in derogation of the exemptions for the manufacture of new articles in the notification dated February 19, 1970.

In the press note dated October 27, 1966 issued by this ministry, it was mentioned that industrial undertakings might also increase the production of the articles for which they were licensed or registered, up to 25 per cent of the capacity so licensed or registered without obtaining a substantial expansion licence provided that certain conditions were fulfilled, namely; (i) no additional plant and machinery is installed, except minor balancing equipment procured indigenously, and (ii)no additional expenditure of foreign exchange is involved and the extra production does not occasion any additional demand for scarce raw materials. It is clarified that the facility for increase in production of the article or articles for which an industrial undertaking is licensed or registered, up to 25 per cent of the capa-

city so licensed or registered, will continue, subject to the same conditions mentioned above. The government hopes that this facility will encourage entrepreneurs to increase productivity in their industrial undertakings and utilise the plant and machinery to the maximum extent.

Industrial undertakings going in for the manufacture or production of new article or articles in pursuance of the revised policy of free diversification explained above or increase of production will have to get themselves registered with the Directorate General of Technical Development or any other concerned technical authority in accordance with the new registration procedure by addressing a letter to that authority giving particulars of the licences held by them and the extent of diversification/increase in production effected by them and such other particulars as may be relevant.

SCHEDULE I

(1) Coal falling under '(1) coal, lignite, coke and their derivatives' under the heading "2. Fuels";

(2) Textiles, falling under the heading '23. Textiles (including those dyed, printed or otherwise processed)' manufactured, produced or processed on powerlooms;

(3) Roller flour milling falling under '(4) Flour' under the heading '27 Food Processing Industries';

(4) (a) Oil seed crushing, falling under '(1) Vegetable oils, including solvent extracted oils' and, (b) Vanaspathi falling under '(2) Vanaspathi' under the heading '28. Vegetable Oils and Vanaspathi';

(5) Leather falling under the heading '31. Leather, Leather Goods and Pickers'; and

(6) Matches falling under '(3) Maches' under the heading '36. Timber Products.'

SCHEDULE II

1. Absorbant cotton.
2. Autmobile radiators (except for expansion on merits).
3. Barbed wire.
4. Beam scale.
5. Bichromates (except for exports).
6. Bolts and nuts (except high tensile and other special type).
7. Conduit pipes — metallic.
8. Domestic electric appliances and accessories such as electric iron, roasters, heaters, washing machines etc. other than vacuum cleaners, industrial washing and dry-cleaning machines etc.
10. (a) Electrical wiring accessories;
(b) Electrical light fittings (such as chokes, starters, reflectors etc.).
11. Expanded metal.
12. Fireworks.
13. Formulated perfumery compounds.
14. Full PVC footwear (chappals, sandals and shoes), except for export by predominantly export-oriented units.
15. Glass holloware by semi-automatic process.
16. Gun metal bushes.

17. Hand numbering machines.
18. Hand stapling machines.
19. Hurricane lanterns.
20. Hypodermic needles.
21. Insecticide dusters and sprayers (manual)
22. Laundry soap.
23. Leather footwear (except for expansion of the existing units for exports and new units for exports).
24. Machine screws (except for socket head and special types).
25. Machine shop vices.
26. Metal clad switches upto 30 amps.
27. **Miniature Bulbs**
(a) Miniature vacuum bulbs;
(b) Torch bulbs;
(c) Radio panel bulbs
(d) Cycle dynamo bulbs; and
(e) Decoration bulbs.
28. Paints and Varnishes — dry distempers, red lead, red oxide, aluminium paints, bitumen paints to IS specification, wagon blocks, graphite paints, all paste paints.
29. Palm rose oil.
30. Paper conversion products.
31. Pine oil (except for composite schemes).
32. Plaster boards.
33. Plastic processed products:—

(i) Bottle caps, buttons, lamp-shades etc. produced by the compression moulding techniqique.
(ii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique excluding the technique of vacuum forming.

(iii) Polythelene (films with a thickness of less than 0.10 mm) and products from the film such as bags etc. (excluding heavy duty bags and multicoloured printed film and bags.

(iv) Blow-moulded containers and other similar products manufactured by the blow moulding technique (except for captive use, PVC containers and change over by existing units manufacturing metal containers to plastic containers).

(v) Spectacle frames from sheets by fabrication technique or by injection moulding.

(vi) Manufacture of polyester sheets for buttons and the processing of the sheets so produced to manufacture buttons.

34. Rivets of all types (including bifurcated).
35. Rolling shutters.
36. Roofing, flooring and glazed tiles (except plastic and ceramic tiles of sizes 4"x4" and above).
37. Safety matches.
38. Steel wool.
39. Student's microscopes.
40. Surgical gloves (except plastic).
41. Telescopic aerials (for radio receivers).
42. Thermometers (upto 150°C).
43. Water meters.
44. Welded wire mesh (except for expansion of existing units).
45. Wire, brushes and fibre brushes.
46. Wire products — all wire products such as wire nails, hob nails, panel pins, horse shoe nails.
47. Wood screws.
48. Steel furniture.
49. Cycle tyres and tubes.
50. Mechanical toys.
51. Aluminium utensils.
52. Fountain pens and ball-point pens.
53. Electric horns.
54. Hydraulic jacks below 30 tonnes capacity, and
55. Tooth paste.

SCHEDULE III

(LIST OF CORE INDUSTRIES)

1. **Agricultural Inputs**
(a) fertilisers
(i) nitrogenous
(ii) phosphatic

(b) pesticides (basic chemicals only).
(c) tractors and power tillers.
(d) rock-phosphate and pyrites.

2. **Iron & Steel**
(a) iron ore
(b) pig iron and steel.
(c) alloy and special steels.

3. **Non-ferrous Metals**
4. **Petroleum**
(a) oil exploration and production
(b) petroleum refining.
(c) selected petro-chemicals.

(i) integrated petro-chemicals complexes
(ii) DMT
(iii) caprolactum
(iv) acrylnitrile
(v) synthetic rubber.

5. **Coking Coal**
6. **Heavy Industrial Machinery**
(i) paper machinery,
(ii) chemical machinery,
(iii) specialised machine tools,
(iv) rubber machinery,
(v) printing machinery,

7. **Ship-building and Dredgers**
8. **Newsprint**
9. **Electronics**, selected electronic components which will be deemed to be in the core sector will be:—.

(i) resistances, fixed and variable.
(ii) condensers or capacitors, fixed and variable.
(iii) semi-conductors, including diodes, thick-film, thin film, and integrated circuits.
(iv) transmitting and receiving tubes including cathode-ray tubes.
(v) connectors, switches and relays.
(vi) sophisticated microwave components and antennas.
(vii) ferrites and megnets·
(viiW) thirmisters and varisters.

SCHEDULE IV

1. Arms and ammunition and allied items of defence equipment.
2. **Atomic energy.**
3. Iron and steel.
4. Heavy castings and forgings of iron and steel.
5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the central government.
6. Heavy electrical plant including large hydraulic and steam turbines.
7. Coal and lignite
8. Mineral oils.
9. Mining of iron ore, manganese ore chrome ore, gypsum, sulphur, gold and diamond.
10. Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
11. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
12. Aircraft.
13. Air transport.
14. Railway transport.
15. Shipbuilding.
16. Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).
17. Generation and distribution of electricity.

SCHEDULE V

(1) Value of fixed assets (based on original cost of acquisition) i.e. investment in land, buildings, plant and machinery

I. (i) Land
(ii) Buildings
(iii) Plant & Machinery
(a) Imported
(b) Indigenous

Total _____

Note: Where the land and/or building is rented the capitalised value of the same may be given.

II. Value of proposed additions under any of these headings.

(2) Annual requirements of all imported raw materials in value (cif) and the percentage thereof to the total anticipated annual sales at ex-factory prices for the products for which the raw materials will be used, from the date of the commencement of production.

Note:

(i) Figures to be furnished for each product separately.

Item of Manufacture (Product)

(1)	(2)	(3)
Value of imported raw materials required per annum.	Estimated annual sales of product at ex-factory prices.	Percentage of Col. 1 / col. 2

(ii) For calculating the percentage, value of imported steel and aluminium will be excluded.

(iii) If there will be variations because of the phasing of the manufacturing programme they should be indicated.

(3) (i) Value of anticipated requirements of imported components (cif) for the first 3 years from the date of commencement of production.

(ii) Details of the phased manufacturing programme.

(4) Main indigenous raw materials required annually in quantity and value:—

Name of raw material	Quantity	Value
(i)		
(ii)		
(iii)		
(iv)		

(5) Whether registered with DGTD or other technical authorities? Give number and date of registration.

(6) Whether any company or undertaking belonging to or controlled by any of the larger industrial house as classified by the Industrial Licensing Policy Inquiry Committee in the list at Appendix II-A (1) of its report with such amendments to this list as may be made by government from time to time, has any financial or other interest or connection with the undertaking in question? Details regarding the specific nature of the interests or connection should be furnished.

(7) Whether there is any foreign equity shareholding in the undertaking and, if so, the extent of equity shareholding held by companies registered abroad or by non-Indian nationals or non-resident Indians?

(8) Whether the undertaking has any foreign collaboration arrangement and, if so, the broad terms thereof, including the date when the present agreement will expire? The reference number of government's letter of approval in respect of the foreign collaboration agreement should be quoted.

(9) Whether the undertaking is a 'dominant undertaking' in terms of Section 2 (d) of the Monopolies and Restrictive Trade Practices Act? Items of production in respect of which the undertaking falls in the above category should be indicated.

SCOPE FOR FOREIGN COLLABORATIONS

In recent months Government of India has announced certain modifications in licensing policy with the object of encouraging small and medium entrepreneurs and stimulating industrial activity. In order to ensure that the opportunities afforded by these liberalisations are availed of by entreprneurs, an illustrative list of 123 items where there is likelihood of sustained demand for the product and scope for investment was also published (See page 1094 in E.E. dated June 5, 1970). The government considers that in order to enable entrepreneurs to take investment decisions and plan their future activity, they should also have information from time to time of the significant areas where technological gaps exist and for which foreign collaboration may be required and for which approvals may be obtained within the policy guidelines for such collaboration prescribed by the government. While the country has made much headway in the development of indigenous technical know-how, the government, recognises that in certain of the more complicated and newer areas of technology foreign collaboration may be necessary in the proximate future. Accordingly, an exercise has been carried out to identify the technological gaps in the economy which might need to be covered by association of foreign know-how. As a result of this exercise, an illustrative list of 121 items where significant technological gaps exist and where there could be scope for foreign collaboration has been prepared. This list is given below.

The actual terms and conditions for collaboration will be decided on the merits of each case within the broad

framework of the government's policy announced from time to time. Some relaxations may be available where clearly justified, for substantially export oriented schemes and to small-scale industrial units.

ENGINEERING INDUSTRIES

Industrial Machinery

Cylindrical, tapered, spherical and other special bearings (excluding ball bearings); selected items of textile machinery like combers, automatic pirn, winding and warp winding machines, processing and finshing machiner; Jute machinery (certain selected items): rayon machinery; specialised printing machinery (for example rotary printing presses, offset printing presses and composing machinery etc.); rubber processing machinery; specialised items of chemical, fertilizer and pharmaceutical machinery; coal and ash handling plant; gears and gear boxes; metallurgical equipment including foundry equipments (plant and machinery for such items as LD converters, rolling mills, special features of blast furnaces for giving improved productivity and coke oven by-product plants; oxygen and acetylene plant; ceramic machinery; Pulp and paper mill machinery; food processing machinery; accelerated freeze drying plant; mineral beneficiation plants; specialised equipment for air conditioning and refrigeration and air control equipment such as centrifugal compressors, low temperature freezers, transport refrigeration equipment, electrostatic precipitators, soils etc; mining machinery: hydraulic props and and electric drills.

Electrical Engineering Industries

Electromagnetic and time relays; railway electrical signalling; HRC fuses; germanium and silicon diodes; dry cells and training lighting cells; electronic instruments and selected electronic components; selected measuring instruments; electro-medical, optical and dental instruments and equipments for medical profession; DC motors and controls; very high frequency electrical equipment; LT and HT circuit breakers; specialised transformers; AC motors above 200 HP; fractional horse power motors; variable speed motors; power line carrier equipments; lightning arrestors; selected categories of insulation material for electrical industries; flame-proof lamp fittings; electric lamps — (photo flash pre-focus, infrared, ultra violet, mercury vapour, telephone switchboard); lamp components (lead-in-wire, filament and florescent powder); control of refrigerators and air-conditioner; Specialised surgical equipment, such as blades, needles etc; AC motor startors for motors above 30 HP; hearing-aid; crane controlgear; power capacitors; CTS and PTS for measuring and protection.

Metallurgical Industries

SG iron castings; alloy iron castings; non-ferrous semis-not produced in the country; machine tools & acessories (selected types); selected cutting tools.

Miscellaneous Industries

Cast steel & forged rolls; silicones; catalysts; commercial explosives; watches; portable typewriters; electric typewriters; data processing machines; calculating and adding machines; precision measuring tools; programme control equipment; high duty wharf and floating cranes of all types; steel mill cranes (Class IV duty); earth moving equipment (crawlers, tractors, scrapers excavators, heavy duty dumpers and haulers, pay loaders, tractor showels, tyre mounted cranes); power tiller; specialised automobile ancillaries; mine safety/rescue appliances; gas testing apparatus for mines; non-ferrous metals (copper, zinc, lead); iron ore including processes for agglomeration of ore fines.

Polished plate glass, laboratory glassware and silica ware; improved types of agriculture implements and machinery; pesticides application equipment (special types); timepieces (non-conventional); industrial sewing machines; gas appliances; hair spring and other types of delicate and complicated springs; industrial precision roller chains bigger than 5/8" pitch, simplex, duplex and triplex, bush chains, special rollers chains for mechanical handling, bush slot bank, trolley conveyor chains, hollow bearing pen type chains; special bicycle components, such as multispeed hubs with trigger and twist control; high pressure pipe fittings of specialised type other than malleable iron fittings; ship chains and alloy steel chains other than ordinary mild steel welded link chains; sophisticated types of valves and cocks; superior quality sanitary fittings; fishing hooks; dyestuffs and intermediates; iron ore pelletization including production of sinter feed; safety razor blades and safety razors; alloy and safety razors; alloy and special steels including: cold rolled grained oriented sheets special alloy steel, tin-free double reduced or single side-plated tinplates; coloured galvanised sheets; plastic coated sheets; other special items of steel etc; wire thinner than 19g and special wire; chemical and industrial porcelain; welding electrodes (special types); duplicators (special types); machine screws (special types).

CHEMICAL INDUSTRIES

Oil and Chemical Industries

Fertilizers (other than single superphosphate); selective pesticides; offshore oil exploration; oil refinding including the production of special additives and chemicals required for the oil industry; selected petro-chemicals; thermo-plastics; synthetic rubber; detergent alkylates; selected drugs and pharmaceuticals; edible pharmaceuticals; photographic and special gelatine.

Chemical Industries

Alkylamines, rubber chemicals, flourinated hydro carbons, carbon tetrachloride, tricholore-ethylene, glycol ethers, prophelene oxide.

Paper, Pulp & Allied Industries

Newsprint speciality papers, like electrical insulation paper and boards; such as cable paper, condenser paper, presspahn, press board, leatheroid, photo based paper, special type of filter paper, natural tracing paper, vegetable perchment paper, cigarette paper, carbonising tissues, stencil-base tissues, tabulating manila Paper, high strength kraft paper like sack kraft waxing, laminating and impregnation base paper, vulcanised fibre sheets, abrasive body paper, chart paper, indicator paper; paper & board makers felts; tyre-cord and special chemical pulp.

Rayon & Synthetic Fibres Industries

Nylon & polyester yarn/fibre including industrial yarn polypropylene fibre, polyvinyl-alcohol fibre, acrylic.

Asbestos & Carbon Products

Asbestos packing & jointing; graphite electrodes; midget electrodes and other special carbon products; graphite crucibles.

Timber-Based Industries

Fibre Board; particle board; moulded particles board.

Rubber Goods Manufacturing Industries

Rubber contraceptives; meteorological baloons; fire fighting hoses; tennis balls; rubber thread used in hosiery; automobile tyres and tubes.

Refractories (special types including electro cast refractories); high tension insulators and bushings and solid core insulators for railways; abrasive grains (excluding silicon carbide) deep sea fishing.

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Although the Export Policy Resolution presented to Parliament last week lacks the definiteness of the Industrial Policy Resolution as revised from time to time, it is still a utilitarian document of very considerable possibilities. While not enunciating any new decisions as such, it nevertheless releases or energises a whole set of attitudes which must help to give to export promotion the status of an integral part of our essential economic objectives and policies. Drafted by one of the most acute and agile minds in all the vast bureaucracy of the central secretariat, it is flexible enough to allow reasonable play to economic wisdom and the cold arithmetic of export budgeting, despite the constraints of ideological motivations or considerations of political expediency.

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THE PROOF OF THE PUDDING

ALTHOUGH THE Export Policy Resolution, presented to Parliament last week, lacks the definiteness of the Industrial Policy Resolution as revised from time to time, it is still a utilitarian document of very considerable possibilities. While not enunciating any new decisions as such, it nevertheless releases or energises a whole set of attitudes which must help to give to export promotion the status of an integral part of our essential economic objectives and policies. Drafted by one of the most acute and agile minds in all the vast bureaucracy of the central secretariat, it is flexible enough to allow reasonable play to economic wisdom and the cold arithmetic of export budgeting, despite the constraints of ideological motivations or considerations of political expediency.

As such of us who may have some idea of how business is transacted in government are aware, decisions, whether intra-departmental or inter-departmental or taken at the level of the cabinet, are generally the end-products of a process of balancing several considerations. As a result, these decisions involve less the true reconciliation of diverging points of view than a broadly acceptable distribution of the degrees of emphasis which are to be attached to the various arguments expressed more or less ably, more or less honestly. With the government committing itself formally to certain directions in which a national effort is to be organised for increasing exports, this drill of decision-making, we may hopefully assume, will now become biassed to some extent in favour of export promotion as against other considerations which may be thought to be relevant in deciding issues of economic or public policy having a bearing on the growth of exports. This is not to suggest that the requirements of export promotion are bound to receive top priority always or even invariably in the government's decision-making, but it is surely obvious that it is going to be rather difficult at any level of government for the importance of the export aspect to be minimised, This is a view of the future which must be reassuring in the context of certain recent decisions taken by the government with regard to industrial licensing or foreign collaboration.

The Resolution accepts the prescription that exports should be stepped up at a compound rate of seven per cent per annum in the fourth Plan, but realises that this would remain an empty calculation, however, unless there is a true upsurge of export-oriented production right through the economy. Hence the undertaking that, in each of the broad lines of production, the products having long-term export potential will be identified with greater precision and special measures and programmes undertaken to secure their development and improvement. Since these words have a familiar ring, the public will naturally elect to wait for the proof of the pudding in the eating. With the fourth Plan now in its second year, the government does not have much time to start making good on this commitment.

A major "plus" point in the Resolution is the account taken of traditional exports. Although it is true that the greater part of the growth in exports in the years to come is to be sought in the 'newer' lines of trade, radiating from the emerging diversification of our industrial production, the bottom will surely be knocked out of our export earnings if we fail to safeguard our earnings from commodities such as tea or jute goods or persevere with our exports of cotton textiles. In the case of jute goods and, to a less extent, in the case of tea, our export policy ought to seek to ensure that our exporters will be able to compete in every foreign market with rival producers on equal terms. This is particularly true of jute goods, in the case of which Pakistan's policies of "managing" export prices over the years has reduced this country to a situation of having to wait for the leavings of foreign custom. Certain jute specialities, as for instance carpet backing, could reckon on an expanding world demand, but it has been our experience that, although the world trade in jute goods may be expanding, our own share of it is shrinking nevertheless. In circumstances like these, it is surely essential that our export policy must be seen to have a set of fairly sharp teeth.

One of the key phrases in the Resolution is "adaptation of production" to foreign markets. This duly emphasises the special nature of export-oriented production which has to meet patterns of consumer preferences which are often widely different from those prevailing in the home market. In textiles, for instance, "adaptation" could be the very condition of export growth. Noting that export marketing and product development have become specialized disciplines, the Resolution declares that every effort will be made to assist export-oriented units in the private and public sectors to achieve economies of scale, improve efficiency of production, reduce costs and adapt production to meet the requirements of their

customers abroad. More specifically the government undertakes to relate to these purposes its procedures applying to foreign investment, licensing of creation of or expansion of industrial capacity and licensing of import of capital goods and raw materials or other inputs. Once again, the pudding must be made and eaten before it may be pronounced upon.

Finally, consistent with its basic philosophy that exports will have to grow out of a growth of export-oriented production, the Resolution presents a civilised version of the "austerity" principle. It rightly regards a conflict between domestic consumption and export as a temporary or transitional situation as when there is a shortfall in production or indigenous capacity is in the process of development and limits the role of restraints on home consumption to an improvisation for making a part of the production available for export until exportable surpluses are forthcoming in a more normal way.

Although government declarations of policy for the various sectors of the economy or objectives of development have an important clarificatory and directional role to play in the evolution of detailed procedures and decisions, their basic virtue must be that they could help to generate a climate of opinion in the government and the community which stimulates discussion and action on recognizably constructive lines. It goes to the credit of Mr B.R. Bhagat, who was until recently Minister for Foreign Trade, that he had applied himself so purposefully to shaping guidelines of theory and incipient practice which should now help his successor, Mr L. N. Mishra, to find his way more confidently on an unfamiliar and challenging terrain.

Trouble on the Road

THE SERIOUS lag that has occured in the construction of roads in recent years despite significant progress in other major sectors of the economy such as agriculture and industry, was highlighted by Dr J.M. Rane, President of the Indian Roads and Transport Development Association (IRTDA) at the 42nd annual general meeting of the IRTDA held in Bombay some time ago. Out of 550,000 villages in our country, nearly 30 per cent have no approach roads. No less than two-thirds of the mileage on our national highways are extremely narrow. A number of bridges, both big and small, need to be built. Also, the condition of some of our roads is deplorable which tends to raise the operating cost of vehicles. The Keskar Committee estimated four years ago that the annual operating cost of road transport in our country could be reduced by as much as Rs 150 crores a year if we had a modern road system.

Not that the Government of India or the Planning Commission have not recognised the importance as well as the urgency of improving the state of our roads. Due to the paucity of funds the government has not been able to allocate the necessary outlay for this purpose. According to Mr R. Venkataraman, Member of the Planning Commission, who was the chief guest at the meeting of the IRTDA, the financial outlay needed for roads for the fourth five-year Plan period had been estimated at Rs 1,600 crores but because of the relative priorities fixed for different sectors of the economy in the Plan and keeping in view the available resources, the allocation for roads had been fixed at Rs 871 crores only. It follows that the funds earmarked for this purpose will accomplish roughly half of the essential work related to road development which should have been completed in the Plan period. The fact that the outlay for the fourth five-year Plan period is double of the actual expenditure on roads in the third Plan period is of little comfort as the unaccomplished work would be so large as would continue to hamper smooth movement of goods.

Following the Nagpur Road Plan of 1943, the chief engineers formulated a 20-year road programme in 1958. According to Dr Rane, the cost of the programme as estimated by the chief engineers was "far too low" and needed to be raised by at least 30 per cent. However, the contribution to revenue by road users has increased beyond expectations. The sharp increase in road traffic has rendered the targets of the engineers' plan inadequate but instead of increasing the outlay on road development, there has been a continuous shortfall which at the end of 1968-69 totalled Rs 478 crores. The outlay for the fourth Plan period recommended by the chief engineers being Rs 1,354 crores, the total need of funds for the road programme for the Plan period amounted to Rs 1,832 crores as against the provision of Rs 876 crores by the planners. Against this meagre provision for roads, the estimated tax revenue from roads in the fourth Plan period is expected to be Rs 3,500 crores; the chief engineers had estimated a yield of Rs 1,530 crores for this period. No wonder that the IRTDA felt that the government had neglected this sector and that this policy would have serious repercussions on the growth of the economy.

The attempt of the IRTDA at linking road building activity with creation of employment opportunities is a subtle move for urging the government to speed up the road development programme if for no other reason but providing work to the unemployed or the under-employed. Its thesis that the road development programme has unmatched potential for employment opportunities is no doubt tenable, though this is not the only way in which work can be found for the unemployed. An investment of Rs 2,500 crores on roads, according to Dr Rane, would create 10.77 million new employment opportunities. It follows that an investment of about Rs 2,500 will provide work for a person. There are many other sectors of our economy where additional employment opportunities could be created with far less investment. It is not fair to try to justify one programme on the basis of its assisting some other programme in the Plan. In this connection, Dr Rane quoted from Mr V. V. Giri's recent book *Jobs for the Millions* in which the President has opined: "Apart from the direct employment potential of a vast road building programme, the rural areas, if opened up, will undergo a transformation in their economy. The cost of such a programme is worth meeting even by deficit financing of half to one per cent of the total national income."

The principle of incurring deficit financing recommended by Mr V.V. Giri when taken to its logical conclusion, implies that any programme which is in the priority sector and has potential for employment, should claim deficit financing. There are numerous projects of developmental significance which have so far been shelved because of shortage of funds but which, if undertaken on the basis of the argument advanced by the President and endorsed by Dr Rane, would require deficit financing. Irrigation projects, for example, need much more money than what has been allocated to them. So perhaps power development.

There was however substantial weight in Dr Rane's observation that the road development plan had suffered greatly because the "plan-approved outlays are not often fully met which prolongs under-development." The expenditure on national highways exclusive of the lateral roads and other programmes was expected to be Rs 65 crores annually, on the average, for each year of the fourth Plan period but actual expenditure in 1969-70 was Rs 14.15 crores only and the budget estimate for the current year was Rs 25.62 crores. At this rate, it is obvious, the outlay allocated for this purpose would experience a serious shortfall. Dr Rane was therefore justified in urging the government "to ensure that Plan outlays for roads do not

remain paper plans and the funds are actually allocated to the departments concerned".

If the central government has so far failed to make full use of the allocations for the highways which are its sole concern, the states have also faltered in the construction of roads which are their responsibility. According to Mr R. Venkataraman, the states are inclined to cut down the provision for roads when they face relatively more urgent demands. In other words, it is patent that both the centre and the states have given inadequate attention to roads which is likely to accentuate the transport bottleneck in the coming years. We can continue to ignore this important element in the infrastructure of the economy at our own peril.

Moreover, it is essential that the funds allocated for building of roads should be used in the most efficient way. The Planning Commission, according to Mr R. Venkataraman, has "urged on the states that investments in road development should proceed according to a proper scheme of priorities." In view of the fact that the resources are not unlimited, every effort should be made to improve the "functional efficiency" of the existing road system by removing whatever deficiencies currently exist. The improvement of the roads in use should take precedence over new roads, especially in industrial and mining areas as well as the metropolitan cities.

The efficiency of road transport has suffered greatly in recent years because of the annoying octroi. Even though several committees appointed by the government have recommended its abolition, precious little has been done in this regard. It is essential that some way is found for the free movement of goods and passengers by road throughout the length and breadth of this country and in place of the privilege of octroi, the levy of sales tax or some other tax should compensate the towns through which the vehicles have to pass. In the same way, the multi-state motor vehicle taxation should be done away with. The Keskar Committee made a helpful suggestion when it proposed a standard inter-state tax but unfortunately no action has been taken so far in this regard. It is conceded that the states are very reluctant to give up any of their rights to raise revenue but this cannot be allowed to continue to jeopardise broader national interests.

Recently, Dr F.P. Antia, a leading transport economist, suggested a practical solution to tackle this problem. He said that one per cent of the existing excise duty on every litre of diesel oil sold should be distributed among the states as a consideration for their forgoing the right to tax inter-state road transport. This is a recommendation which needs careful consideration as it ensures the elimination of an irritant in road transport at a nominal cost.

Why Slower Deposits?

THE UNION Finance Ministry and the monetary authorities are worried about the slowing down in the growth rate of deposits after the central government took over the business of 14 major banks. This question figured prominently at the discussions the union Finance Minister, Mr Y.B. Chavan, had with the custodians of 14 nationalised banks, the Chairman of the State Bank of India and officials of the Reserve Bank and the Finance Ministry. With the anxiety of the government to adopt vigorous follow-up measures and expand credit liberally for meeting the needs of small borrowers in the agricultural and small-scale industries sectors, the limitation imposed by the non-availability of resources has had an irritating and choking effect.

It is not possible to explain rationally why the growth in deposits of scheduled commercial banks has not come about according to expectations especially as there are divergent trends between different groups of banks. Thus, between July 18, 1969, and June 19, 1970, aggregate deposits of all scheduled banks increased by Rs 552 crores against Rs 548.30 crores in the corresponding period in 1968-69. While there has been no decline in deposits and this should be considered a creditable achievement having regard to the sharp rise in the first half of 1969, there is no doubt that there has been a pronounced decline in the growth rate of deposits. But the performance would have been disappointing had not the State Bank of India added spectacularly to its deposits by Rs 159.70 crores against Rs 84 crores in 1968-69. Foreign banks registered only a small rise in their deposits by Rs 40.20 crores against Rs 37.90 crores while the 14 nationalised banks added to their deposits by only Rs 297.90 crores against Rs 334 crores. The non-nationalised Indian banks too fared badly as their share of additions to deposits was only Rs 25.60 crores against Rs 68.60 crores.

It is noteworthy that the State Bank of India has added to its resources substantially in spite of the observation by Mr Chavan that up to June 1969 the branches of this institution, opened after it was nationalised, have contributed to the fresh additions to deposits by only 33 per cent. It has also been observed that rural prosperity has not yet been fully reflected in the growth of deposits of new branches opened in the under-banked and unbanked areas and it would be necessary to adopt vigorous measures for gathering fresh resources and relieving the acute pressure that is now being felt by the banking system. But whatever may be done to bring about a faster growth of deposits, the uninspiring performance of the newly nationalised banks must be due to the sharp drop in the growth rate in the latter half of 1969. Lately there has been more impressive additions to deposits and it may not be wrong to expect that the augmentation of resources in the next five months will be on a scale which will enable the scheduled commercial banks to add to their deposits by Rs 750 crores in 1970 against Rs 642 crores in 1969.

But while this prospect should be considered quite encouraging it is just probable that the flattening of the upward curve of deposits in the past year is due to the restrictive policy adopted by the Reserve Bank in regard to the grant of credit for industrial units and traders. Since it has been complained that fresh requests for increase in limits by cotton textile and sugar mills have not been fully met and there is also an attempt on the part of the Reserve Bank of India to curtail credit where it has been found that short-term advances had been utilised partly for creation of fixed assets, many industrial units have been compelled to accept deposits and even secure short-term loans in order to get over their immediate difficulties. The sugar industry particularly has been seriously handicapped and it had been stated that in spite of having large arrears of payment in respect of cane supplies by growers and cess payable to the state governments, accumulating stocks had to be financed by accepting deposits and raising loans. The continuance of the margin of 25 per cent in respect of advances against sugar for free sale until recently has also had a stultifying effect.

It is not possible to arrive at a precise estimate of the diversion of funds from the banking system on account of these factors. But it is likely that the industrial units and trading companies mobilised in this manner not less than Rs 50 crores which would suggest that if there had been no restrictive credit policy, the growth in bank deposits would have been more impressive. The competition for available funds is bound

to be keen as with rising prices and higher level of activity larger resources would be required for working capital purposes particularly as freshly generated resources are being absorbed for financing new expansion schemes.

Under these circumstances there can be liberal lending to new classes of borrowers only if fresh steps were taken to extend vigorously the banking habit and add substantially to the working funds of the different institutions. The needs of borrowers are large as, with the cultivators particularly inclined to purchase agricultural inputs, implements and machinery, about Rs 150 crores can be easily advanced to them annually while those in the small-scale industries sector are asking for more. This would mean that till such time the efforts to increase deposits prove successful there will have to be liberal refinance facilities against credit, which is utilised for productive purposes and which will not have any inflationary consequences. Instead of discussing how the bottlenecks caused by the paucity of resources can be relieved there has been loud discussion about the need for evolving a new system of differential interest rates. It has not been explained how these rates will be determined and which classes will benefit. Obviously it is thought the poor borrower will benefit by the availability of cheaper credit though it is forgotten that he needs only ample credit and not exactly on a cheaper basis because he is now either going without it or paying for it dearly by having his requirements from indigenous lenders.

There is no escape from providing liberal refinance facilities as even during the week ended July 17, borrowings of scheduled commercial banks from the central banking institution stood at the high level of Rs 272.02 crores against only Rs 93.35 crores in the corresponding week in 1969. Apart from meeting a larger demand for funds banks have been obliged to invest heavily in loans of the central and state governments. There may be a decline in advances in the coming weeks along with an increase in deposits. But sizable amounts will have to be invested in the new loan that will be floated by the central government after a few weeks.

It is, therefore, unlikely that there will be any sharp decline in borowings from the central banking institution notwithstanding the efforts that might be made by the central government to reduce liability of the Food Corporation of India to the banking system in respect of its procurement operations. More stringent conditions would have been witnessed in the money market but for the adjustments made by the central government and the reduction in the strain on the banking system by helping the Food Corporation of India. Otherwise the big drop in advances of scheduled commercial banks by Rs 41.38 crores during the week under reference would not have taken place. Besides determining the causes that have been responsible for a slowing down in the growth rate of depoisits even with a larger purchasing power of the rural population, the Reserve Bank should also formulate a new strategy which will help the banks get over a difficult period till the end of the next year and meet also the legitimate needs of all classes of borrowers.

Textile Exports

WHAT HINDERS the exports of our cotton textiles which, during the last decade, have tended to stagnate around Rs 100 crores per annum? Various attempts have been made in the recent past to answer this perplexing question, but the factors identified till lately have been such over which we could have had but little control. These include: (*i*) the severe competition offered by countries such as Japan, Hong Kong and Pakistan, (ii) the growth of local textile production in some of our traditional markets in Africa and south-east Asia, (iii) the imposition of quota restrictions in western Europe and north America, and (iv) the rise of the synthetic fibre industry as a keen competitor to the cotton textile industry. Not much concerted thought was bestowed on identifying precisely the local hindrances, though it was generally felt that periodic difficulties in respect of the availability of raw cotton and inadequate attention to modernisation or the raising of productivity were accentuating the export problems of our textile industry. The brochure brought out recently by the Economic and Scientific Research Foundation, New Delhi, fills this lacuna.

The findings of this research study—entitled "The Exporting Mills"—are indeed revealing. It points out that "in spite of the significant changes in the machinery installed in the past few years (see table at page 223), there continues a technological gap of four to five years in the best mills as compared to their counterparts abroad". If this is the case with the "best" mills, the position in the other mills can well be imagined.

In all the three sectors of the industry —spinning, weaving and processing— the technical position is considered to be very unsatisfactory. About 80 per cent of the cards in the spinning sector are still of the conventional type, working at 15-25 lbs. per hour, as against the improved cards yielding twice this output in the mills in foreign countries. As regards drawing, while about 40-45 per cent of the machinery in our industry is modern in the pre-comber section and just about 20 per cent in the post-comber section, nearly 75 per cent of the old machines in foreign countries have been replaced by the new high speed types. In respect of fly frames, large package high speed machines are an exception in our industry rather than the rule as is the case in the advanced countries. The percentage of high speed spindles and rings also is very low—not exceeding 30 — in our industry, as against nearly 80 abroad.

As regards processing, whereas in the advanced countries, the concept of textile finishing is almost universally functional, giving the finished products such properties as crease resistance, easy care, water repellency, etc., the total volume of fabrics finished in this manner in our country is less than five per cent of the total output. Our finishing by and large is still decorative (starchy) rather than functional. In blending, continuous bleaching and dyeing also, the position is not much different. It is somewhat satisfactory in the winding and warping sections of the weaving sector, but our looms are among the most backward. The percentage of automatic looms, which yield quality fabrics at lower cost than the ordinary looms, is very low. Even for the exporting mills, their percentage does not exceed 25; for the industry as a whole, it was 16.8 in 1967.

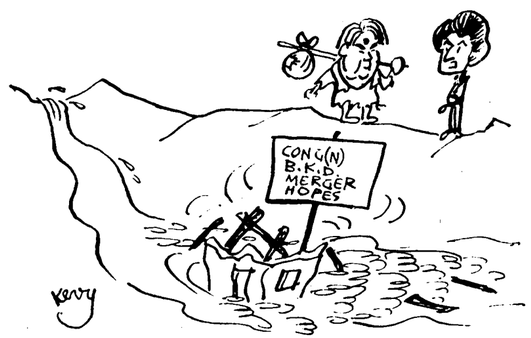
The above facts make it abundantly clear that unless we expeditiously bridge the technological gap, we cannot hope to step up the exports of our textiles. We can also no longer remain content with exporting greys; high-priced fabrics have to be exported in increasing quantities. For this, blending of polyster fibre with cotton will have to be undertaken on a more ambitious scale. Experts opine that this will not only help exports but also reduce the drain on foreign exchange caused by the imports of raw cotton. Even for maintaining the exports of grey cloth, several adjustments have to be made in our industry—for instance, increasingly switching over to production of larger width cloth—for the pattern of world demand is now fast changing and our present grey cloth is being priced out by three to five per cent in the international market.

The modernisation programme of the industry obviously will require large investment. Most of the exporting mills, the study reveals, have not been able to plough back any substantial funds because of their low profitability. If they have continued to export, it is because their production—grey cloth—does not have any large domestic market. This low profitability of the exporting mills also stands in the way of their raising resources from the open market. The higher development rebate now allowed to the textile industry is not very helpful to the exporting mills for their investment in renovation has not been large enough as it has been in the case of mills which are primarily catering for the domestic requirements of cloth. The only source of finance left for the majority of the textile exporting mills, thus, is the public sector finance. The study's plea for funnelling more public funds into the exporting mills, therefore, is not unwarranted.

SIGNIFICANT CHANGES IN MACHINERY FOR THE INDIAN COTTON TEXTILE INDUSTRY, 1960 AND 1967

	Number	
	1960	1967
Weaving		
Automatic looms	16,312	34,681
Non-automatic looms	180,784	171,025
Non-weaving fabric machinery	Nil	20
Normal width looms (70 in. & below)	194,436	201,131
Wider width looms (71 in. & above)	2,660	4,575
Processing		
Continuous J. box bleaching machines	23	319
Continuous dyeing machines	Nil	31
Pre-shrinking machines & Sanforising machines	Nil	55
Others	Nil	14
Resin-finishing machines (wash & wear)	21	57
Chain mercerising range	56	65
Chainless mercerising range	52	90
Total mills	635	

SOURCE : *Annual Census of Machinery 1960 & 1967*, Textile Commissioner, Bombay.



It's all gone with the flood, madam. I look forward to relief from the Prime Minister's fund.

Credit for Calcutta

THE TWO-DAY discussions (July 23 and 24) in Calcutta between the Government of West Bengal and the representatives of public credit institutions made one point quite clear, namely, that the economic recovery of the state will not and need not be hampered by shortage of money. Mr A. Bakshi, Secretary of the Department of Banking in the union Ministry of Finance, Dr R. K. Hazari, Deputy Governor of the Reserve Bank, and Mr T. A. Pai, Chairman of the Life Insurance Corporation, assured the Government of West Bengal that the public financial institutions would adopt a flexible policy in regard to the availability of credit for the development of industries as well as for housing and civic projects. The Industrial Development Bank has decided to set up a committee in Calcutta, which is expected to play a crucial role in helping the closed factories to open. According to Mr B. B. Ghosh, the Governor's Principal Adviser, this committee would also serve as a source of objective advice to the employer and the worker. Mr Ghosh revealed that the financial institutions would give some special assistance to small-scale entrepreneurs, and also for power generation and distribution, as well as for the purchase of chassis for the public sector transport organisations.

It is now up to West Bengal to take advantage of the facilities offered by these institutions to speed up economic recovery. But will the state government and the entrepreneurs rise to the occasion? Past experience has been far from encouraging. This is clear from the working of the West Bengal Financial Corporation, which in its annual report

Eastern Economist 25 Years Ago

AUGUST 10, 1945

The United States Administration under the inspiration of the liberal economic philosohy of President Roosevelt and Cordell Hull, has long been trying to build up a free and multilateral international economic system. The Atlantic Charter breathed this philosophy of economic liberalism. Under Article VII of the Mutual Aids Agreements of February 1942, the reduction of tariffs and other barriers of trade and the elimination of all forms of discrimination in international commerce were set as goals to be pursued by the United Nations after the war and these in fact were to be regarded as a partial *quid pro quo* for the lease-lend aid rendered by the United States Government to Allied countries. The British Government was in that stage of war earnestly for all-embracing Anglo-American co-operation and therefore subscribed to these tenets of economic philosophy, although not without considerable mental reservations, as we learnt later on. Mr Churchill later on explained the mental reservation which he held when subscribing to the Atlantic Charter; he explained that the phrase "with due regard to existing obligations" could be interpreted to mean that the obligations under the Atlantic Charter did not quarrel with the obligations under the Ottawa system of imperial preference. In point of fact, while the United States Administration has been busy in evolving international agreements on the schme of a monetary fund and world capital bank in its effort to build up a universal, multilateral and free international economic system, the British Government has been engaged in negotiating a number of bilateral monetary understandings and thus carving up its own monetary and economic empire standing in rivalry with, if not in supersession of the Bretton Woods universal system.

for the year ended March 1970, gives the picture regarding assistance to small-scale industries between 1965-66 and 1969-70 (see table below).

The report says that in the last five years, 146 cases were sanctioned for assistance to small-scale units out of a total of 218 cases sanctioned by the corporation, constituting 67 per cent in numerical strength. But in 63 cases, the small-scale entrepreneurs did not avail themselves of the sanctioned loans. In 1969-70 the corporation received 44 applications for Rs 159.64 lakhs against 63 applications for Rs 178.59 lakhs in the previous year. Throughout 1969-70, the corporation carried on average credit balance with banks of Rs 93.40 lakhs against its average undisbursed commitment of Rs 200.30 lakhs.

ASSISTANCE TO SMALL-SCALE INDUSTRIES

(Rupees in lakhs)

	1965-66	1966-67	1967-68	1968-69	1969-70
(a) No. of cases sanctioned	26	22	32	44	22
(b) Sanctioned amount	38.04	35.35	36.72	51.80	23.13
(c) No. of cases withdrawn after sanction	5	11	9	12	26
(d) Amount involved	6.84	36.58	12.33	17.15	33.03
(e) Outstanding against small-scale units	166.44	133.12	141.01	146.40	144.79
(f) Total outstanding	575.66	626.20	631.45	663.26	677.07

Newspapers in Calcutta recently gave much prominence to the alleged discrimination by the Life Insurance Corporation against West Bengal, and Calcutta in particular. It was pointed out that the LIC's loans to West Bengal State Housing Finance Co-operative Society outstanding as at March 31, 1969, were only Rs 50 lakhs compared to Rs 22 crores in Maharashtra, Rs 20 crores in Gujarat and Rs 3 393 crores for Madras. The figures are correct. But their interpretation is wrong. If West Bengal has received so little money from the Life Insurance Corporation for its housing schemes, it is just because it did not ask for more! What has prevented West Bengal from starting more housing co-operative societies and asking for more funds from the Life Insurance Corporation? Nothing but indifference and lethargy seem to have stood in the way.

It must be said to the credit of the chambers of commerce in Calcutta, that they are trying their best to bring about a revival of West Bengal's economy as rapidly as possible. At the meetings with Dr Hazari, Mr Pai and Mr Bakshi, the chambers made a number of specific and constructive proposals to help the revival of the closed units, and the sick ones to be restored to health. Some of these suggestions were: relaxation of the conditions for sanctioning term loans to the units, clean advances or advances on second mortgage; purchase of preference shares in these units by the financial institutions; and reduction in margin. Usually banks keep 25 per cent margin in respect of raw materials and finished goods and 50 per cent in the case of work-in-progress. It has been suggested that these could be reduced to 10 per cent or the banks may sanction full advance against the security of goods without any margin. Banks may also accept consumable stores and spares as securities, against which they do not normally advance money. Though the Reserve Bank has not made any commitment in regard to these suggestions, its assurance that it will follow a flexible policy should encourage the closed and the sick units to seek the maximum financial help that will be available to them and make the utmost efforts to resume normal working.

Meanwhile, the decision by the House of Birlas to set up a cement factory in Durgapur should help to revive confidence in the economic growth of West Bengal. This factory, estimated to cost Rs 5 crores, will use slags from the blast furnaces of the Durgapur Steel Plant as raw material. It is expected to begin production in about 18 months and provide employment to about 3000 people. The scope for setting up new industries in various parts of West Bengal is considerable. It will be a pity indeed if the industrial development of the state continues to be retarded even after the authorities concerned have clarified about the ready availability of money for all productive schemes. While the re-opening of the closed units and the starting of new industries should receive high priority, it is equally important to save the existing industries from collapse. The jute industry which plays a very crucial role in providing employment deserves particular attention. This industry has also been feeling an acute shortage of working capital. Many mills had spent large sums of money on modernisation in the expectation of obtaining profits but due to factors beyond their control, these hopes have not been realised. Uneconomic working has increased their financial difficulties. In providing adequate credit for West Bengal, the needs of the jute industry should be given special consideration.

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DLW's Performance

R. C. UMMAT

THE PERFORMANCE data of an industrial undertaking, if not analysed rationally, can present a very misleading picture. This appears to have been the case with the Diesel Locomotive Works, Varanasi (DLW), which I visited a few days ago as a member of a group of journalists.

The working of DLW has been assailed in some circles on two counts. First, it is pointed out that the production programme of the works has been trailing far behind the original schedule with the result that the project report target of turning out annually 150 broad gauge diesel locomotives by 1967-68 has yet to be accomplished. Secondly, between August 1961 (when the undertaking came into existence) and March 1969, DLW had incurred a cumulative loss of Rs 1.23 crores.

It is true that DLW's programme of production, as set out in its project report, has not been adhered to. As against turning out 641 BG locomotives or an equivalent of that in a mix of broad gauge and metre gauge locomotives and shunters by the end of 1969-70, as envisaged in the project report, DLW till March last had produced only 334 locomotives—300 BG and 34 MG—and 24 shunters. The production up to the end of June aggregated to 353 locomotives—318 BG and 35 MG—and 24 shunters. As regards the utilisation of capacity, the present rate of production is an equivalent of nearly 100 BG locomotives per annum—just about two-thirds of the rated capacity. But can the DLW management be taken to task for these lags in production?

Under Utilisation

The under-utilisation of capacity is attributable to several factors. The most important among these is the slowing down of the dieselisation programme of the railways to cater to which DLW was tailored. In mid-sixties, this programme had to be slowed down due to recession. Subsequently, the constraint has arisen due to the cautious policy towards dieselisation. Dieselisation of any particular section of railways is decided upon after an assessment of the traffic needs of that section, due consideration being given to whether the envisaged traffic needs can be met by electrification which is a keen competitor to dieselisation. This is because we have to depend on imports for dieselisation (only about one-third of our crude oil requirements are being met from indigenous sources) whereas we have abundant supplies of coal to produce electricity.

The second major factor responsible for the under-utilisation of DLW's capacity is the lack of adequate flow of equipment and components supplied by outside agencies. Nearly 30 per cent of these supplies are procured by DLW from Heavy Electricals, Bhopal, and another approximately 33 per cent from other manufacturers—some of them public sector enterprises and some private entrepreneurs. The labour situation in east India, especially at Durgapur, has accentuated the supply difficulties to no small extent.

Diversification Programme

To some extent the slow tempo of production at DLW about two years ago was also due to the diversification programme which it was obliged to go in for owing to the curtailed orders of the railways for BG diesel locomotives for which it was originally designed. Under this diversification programme, DLW started producing MG locomotives also. Till June last 35 such locomotives have been produced —10 in 1968-69, 24 in 1969-70 and one since April 1970. The organisational effort which DLW had to put in to undertake this diversification programme can be imagined from the fact that not only are there as many as 2,700 components (out of about 10,000 components) uncommon between BG and MG locomotives but also the testing facilities had to be substantially augmented. It indeed goes to the credit of DLW that this diversification programme was successfully completed without the help of any foreign technician. The DLW has technical collaboration arrangement with Alco of the USA, but the seven American technicians who came to DLW under this arrangement early in 1960s, left nearly four years ago.

After the diversification of the product-pattern of DLW, this locomotive works is now equipped to produce annually a mix of 110 BG (2,600 hp) and 50 MG (1,350 hp) diesel locomotives. With the requirements of our railways restricted to 80 BG and 30 MG locomotives during the current financial year, 90 BG and 45 MG units in 1971-72, 95 BG and 58 MG locomotives in 1972-73 and 100 BG and 60 MG units in 1973-74, the works on indigenous orders apparently can be run to full capacity only from 1973-74 onwards.

It can be argued that in the interest of fuller utilization of capacity, DLW ought to have explored export possibilities to offset the curtailment of domestic orders. This perhaps could not be done earlier due to restricted supplies of materials owing to foreign exchange difficulties. Export consciousness is now developing at DLW and some concerted efforts have been made. Offers of supply of diesel locomotives and components to Sudan, Syria and Nigeria have been made. They have been found technically acceptable by the three countries and firm orders may materialise at least from two of them. But since there is tough competition in this export line despite the fact that Alco has partially abandoned this activity, our terms of export will have to match those of the other exporting countries. Some deferred payment arrangements may have to be made. The stringent quality control which is being exercised by DLW on its products should help it in making a debut on the international market.

The DLW has also received a proposal from the Turkish Railways, for the supply of diesel locomotives and components, as well as for technical collaboration with them for the manufacture and assembly of locomotives in Turkey. If this arrangement also materialises, interesting possibilities of export can emerge for DLW. The more promising possibilities, however, are expected in the exports of cylinder block, the most important equipment in diesel locomotives. The cost of production of this block at DLW compares very favourably with the Alco cost. The Montreal Locomotive Works, Canada (MLW) has shown interest in DLW cylinder blocks. Six prototype samples have already been sent to MLW for examination and evaluation.

Modest Exports

A modest beginning in exports is being made by DLW this year. An export order has been received from MEL recently for 300 connecting rods. The foreign exchange earning from this order will be $C 73,800 (nearly five lakhs of rupees). The order is to be fulfilled with assistance from Bharat Forge, Poona, who will be supplying the unfinished rods. The DLW's contribution will be the finishing of these rods. The supplies are to be effected by October.

The export effort will have to be made vigorously by DLW not only in the inte-

rest of utilizing its capacity fully but also due to the fact that nearly 20 per cent of the cost of a diesel locomotive turned out by it is yet being incurred in foreign exchange. The major portion of this cost, of course, is on account of materials not produced in adequate quantities in the country at present. Imports of components are confined only to such cases where it is uneconomical to produce them locally. Indigenisation of equipment has indeed progressed well at DLW. It should apparently strive hard to meet its import requirements through exports, especially when it is in a position to do so.

There appears to be a good deal of erroneous impression about the cost of production of DLW as well. The Rs 1.23 crores accumulated loss up to March 1969 should suggest that the undertaking is unable to make both ends meet. But the major reason for this erroneous impression is the pricing pattern adopted for its products.

Lower Prices

Being a departmental undertaking, DLW is obliged to sell its locomotives at prices determined by the Railway Board. Presumably in its anxiety to keep the overall capital at charge of the railways low, the Railway Board is at present buying BG locomotives from DLW at Rs 23 lakhs per unit and MG locomotives at Rs 18.64 lakhs a unit. These prices are considerably lower than the landed costs of similar imported locomotives; in the case of BG locomotives, the landed cost works out to Rs 29 lakhs. As a concession, the interest charges on the fixed as well as the floating capital of DLW is paid by the Railway Board to the Central Exchequer in addition to the price paid to DLW. If note is taken of this fact, the current cost of production of DLW works out to Rs 22.40 lakhs in the case of BG locomotives. The sale price of Rs 23 lakhs thus yields a profit of Rs 60,000 per unit. Including the interest charges, the cost of production of DLW's BG locomotives is approximately Rs 25 lakhs per unit. Even this is much lower than the landed cost of imported locomotives.

In order to correctly appreciate the DLW costs, note, however, ought to be taken of the fact that for the supplies procured from outside agencies, DLW has to pay much more than the landed costs of similar imported materials. For instance, the supplies from Heavy Electricals, Bhopal, cost DLW at a conversion rate of Rs 11.20 to a dollar. In some other cases, supplies cost at a conversion rate Rs 10.50 a dollar. The imported components also cost at this conversion rate. For DLW's portion of work, the conversion rate works out at the official rate of exchange ($ 1=Rs 7.50). The high cost of materials and components purchased from outside is said to be inflating the cost of a DLW BG locomotives by as much as Rs 5.5 lakhs. If allowance is made for this, DLW's costs should compare favourably with the global standards. This reinforces the plea made earlier in this article that DLW should make vigorous efforts for exporting its products. When working to full capacity, the cost of production of DLW is expected to go down by about two lakhs of rupees per BG locomotive, provided the material costs do not go up abnormally.

For research work, DLW maintains close liaison with the centralised Railway Research, Designs and Standards Organisation, Lucknow (RDSO). This organisation has several research projects on hand. The more important among these are the designing of a 4,000 hp. locomotive and an air-conditioned third class sleeper so that there can be faster and more comfortable travel. Recently, to ensure safer running of trains, this organisation has developed a vigilance device for diesel locomotives. This device has already been fitted in many a locomotive. It makes it compulsory for an engine driver to make some physical movement every 40 seconds. If he fails to make any movement, there comes a signal warning him to make a movement. If in the next 10 seconds also, no movement is made, brake start applying automatically and the train comes to a dead stop. To augment the third class passengers carrying capacity, a new coach is also being developed. Slightly longer than the present coaches, it will have about 25 per cent more seating capacity. Efforts are also being made to make ordinary coaches dust-free. For track safety, new designs of track fastners are being developed. New designs of signalling equipment are also being attempted. A more versatile dynometer car has been built by the RDSO to replace a nearly 40-year old one currently in use, at a considerably much lower cost than an imported one. One big constraint on the activities of the RDSO is said to be the financial allocation to it. The task of modernising our railways being a stupendous one, research work has obviously to be fostered. Hitherto, emphasis has been on import substitution. In future, greater attention apparently has to be paid to faster, safer and pleasenter travel.

A ROCKEFELLER FOUNDATION SURVEY

Crops of Promise

HARDEV SINGH

OVER THE last three years this country has increased its production of wheat by 66 per cent. This is against the backdrop of severe droughts in 1965-66 and 1966-67, when nearly 10 million tonnes of wheat had to be imported to avert widespread hunger and starvation. The irrigated wheat areas in the Gangetic and Indus plains of northern India are now planted with new varieties such as Kalyan Sona, Sharbati Sonora, Sonalaki and Safed Lerma. Most of the farmers have been regularly achieving yields of 60 to 70 bushels of these varieties of wheat per acre whereas 70 bushels would be considered quite good for spring wheat in the United States. Many farmers in Punjab have even passed the one hundred bushel-mark. In this startling performance the Rockefeller and Ford Foundations, USAID and several other research institutions have made notable contributions.

This remarkable performance in respect of wheat, which apparently stands in sharp contrast to the performance of rice and other food crops, has created a general impression that the success of green revolution in this country was limited to the improvement in the productivity of wheat. This impression is quite erroneous because revolutionary changes have already taken place in food crops other than wheat, but the time lag between the successful evolution of new varieties at experimental level and their popular use on a national scale has not been overcome. In other words, the work done in the field of improved varieties of rice, maize, millets and sorgham has yet to come to surface. In this context a special report of considerable importance has been released recently by the Rockefeller Foundation which gives some interesting details regarding improvements which have taken place in the field of food production in recent years and the role played in this process by various research agencies. This report provides ample evidence regarding the fact that the progress achieved in respect of food crops such as rice, maize, sorgham has not in any way been less remarkable than that of wheat.

According to this report rice is on the threshold of a dramatic breakthrough--a view with which Dr Douglas Ensminger, who was the Representative of the Ford Foundation in India till recently incidentally does not agree (Dr Ensminger believes that it will take some five years for a rice revolution to arrive well and truly).

The year 1967, the Rockefeller Foundation report points out, was the first year when new high-yielding varieties of rice of Indian breeding were tried on a national basis and not till early 1968 did the All-India Co-ordination Programme receive sufficient financial support. It may be observed that in the case of wheat the results of good performance became visible more than five years after the programme was taken up on a national scale. In the case of rice, therefore, tangible results may not be expected before 1972-73 at the earliest.

It should not be forgotten that the programme for the popularisation of improved varieties of rice has to face a number of major obstacles. For instance, over 50 per cent of the rice grown in this country is during the monsoon season when light is a limiting factor whereas wheat is grown during the sunny winter season. Then, rice needs more water, more work and a good deal of skill. A fierce battle has to be fought with pests. In spite of all this, the recent gains in rice production and those now visible with the extended programme of high yielding varieties hold a promise of another exciting chapter in the story of Indian agriculture.

Stress on Quality

After the drought of 1966-67, attention was paid largely to quantity and both IR 8 and Jaya varieties of rice assumed importance. Both IR 8 and and Jaya gave a yield of 50 to 70 quintals per acre, which is nearly five times more than that of traditional output and new varieties were resistant to disease too. But being thick in size, IR 8 was not very popular with consumers who wanted thin, slender type of rice. Several people have preference for aroma and breeders therefore crossed IR 8 in an attempt to combine aroma with high yield. More recent varieties, therefore, provided comparatively improved quality. For instance, substantial progress has been made in releasing the strains of Jagganathan and Pankaj —two new varieties — which were suitable for kharif crops. Moreover, two more varieties, Sabrmati and Jamuna have been developed to give a long grain which would find a greater consumer acceptance.

A recent announcement by the union Ministry of Agriculture supported the thesis that all necessary preconditions for a major breakthrough in paddy cultivation that would extend the green revolution beyond the production of wheat have already been created in this country. It was revealed that in 1969-70 the area under high-yielding varieties of rice was recorded at around eight million acres and during the current year the area was expected to go up to 11 million acres. Such area is, therefore, progressively increasing.

An interesting suggestion made by the Rockefeller Foundation report for the rapid extension of the programme is the mechanisation of rice cultivation. Most of the rice in Asia is transplanted by women who push in two to three plants at each point in flooded fields which have been puddled. This work requires considerable labour. In some advanced countries rice is grown on dry ground with the help of machinery. This is not, however, unknown to this country. In Kerala, for instance, more than 600,000 acres of rice are directly seeded instead of being transplanted. In Mysore such area is 500,000 acres ; In Madhya Pradesh it is four to five million acres and in Orissa nearly five million acres. It is necessary that machines should be produced in order to improve the economics of rice production. It may be indicated that transplanting allows the farmers to get ahead of the weeds and any step to popularise mechanisation will involve fabricating machines for weeding the fields.

Maize as a crop attracted little attention till recently and now it has become one of the important cereals in this country and some credit for this popularisation goes to the Rockefeller Foundation. As early as in 1954, Rockefeller Foundation specialists assessed the possibility of improving this crop after extensive surveys and brought germplasm for new breeds from several countries. They also suggested an All-India Maize Improvement Programme which was the first unified effort to improve a single crop. Co-ordinated research led to some remarkable results so that nearly 10 successful hybrids were developed for maize which were resistant to disease. Following the success, all-India co-ordinated programmes on the same model were established for other crops too.

In the case of sorghum too a germplasm bank has been created at Rajendranagar near Hyderabad, where nearly 10,000 strains have been gathered from all over the world. Already some varieties such as Swarna have been developed which yield around 3,500 pounds an acre as against 500 pounds or less in the case of traditional varieties. Such progress in the case of sorghum is significant in view of the fact that this is the third most important food crop, trailing behind only rice and wheat. During the years to come when consumer preference shifts more towards rice and wheat, sorgham is likely to be an important livestock feed.

The story in respect of millets is nearly the same as in other food crops. Research teams gathered various types of millets in this country which were crossed with those from other countries. It was after several thousand experiments that Hybrid BajraNo 1 was evolved as the first approved pearl millet hybrid in this country. Some of the farmers achieved yields around 3,500 to 6,000 pounds an acre as against a national average of 350 to 400 pounds an acre.

Aid Policy of World Bank

N. VENUGOPALAN

IT IS heartening to note that the dynamic President of the World Bank, Mr Robert McNamara, has pushed the bank, even within the very first year of his holding this office, into many new types of activity. This has been done in the context of the depressing stagnation of aid in the three years ending 1968. The bank had reached its peak level of operations amounting to $1023 millions in 1965. In the next three years, extension of fresh loans has been around an average of $850 millions per year. In the fiscal year 1969, the amount of fresh loans granted by the World Bank has risen to $1,399 millions. This amount has been distributed in a manner never before witnessed in the history of the World Bank group. Tables I and II show the shifts in the regional and sectoral pattern of increases in World Bank and IDA lendings in the fiscal year, 1969.

The increases shown in Table I have been effected on the ground that south Asia (mainly India & Pakistan) has been getting more than a proportionate share of the World Bank group funds and that Africa's share has been less than proportionate.

Table II (p. 228) shows the increasing importance attached by the World Bank to agriculture and education.

TABLE I

REGIONAL PATTERN OF INCREASES IN WORLD BANK AND I.D.A. LENDINGS IN FISCAL YEAR 1969.

Region	Percentage increase over the average of 1964-'68
Africa	116
Asia & middle east	62
Western hemisphere	52
Europe	21

The latter was more or less ignored by the World Bank until recently. Mr McNamara has powerfully drawn attention to it by allocating $82 millions. Agriculture has had the biggest increase in allocation. In sharp contrast, the allocations for transportation and public utilities were higher by only 32 per cent and 30 per cent although, in absolute terms, the two sectors still claim by far the largest share of the sectoral funds lent ($475 millions and $485 millions against $367 millions and $82 millions for agriculture and education).

TABLE II

SECTORAL PATTERN OF INCREASES IN WORLD BANK & I.D.A. LENDING IN FISCAL YEAR 1969

Sector	Lendings in fiscal year 1969 (million US $)	Percentage increase over the average 1964-68
Agriculture	367.30	198
Education	81.80	156
Industry	241.00	72
Transportation	474.52	32
Public utilities	485.10	30
Others	134.53	N.A.
Total	1784.25	

Thus the World Bank has done creditable work since Mr McNamara took over as its chief on April 1, 1968. The old conservative policy which was *ad hoc* in character did not give the bank a chance for adequate assessment of the long-term requirements of the economy as a whole and of the manner in which the project under evaluation fitted in the country's development plan. The welcome departure happily enables the bank to have an overall view on a desirable strategy of development for the underdeveloped countries. This new policy of aid operated by the World Bank group owes itself to the three leading ideas of Mr McNamara, viz. (i) the bank going out for projects of development, (ii) holding a Grand Assize into the development problems of the world (Pearson Panel's report on International Economic Development); and (iii) pushing the bank into unconventional types of financial activity.

The fresh approach to aid policy had already in 1969 met both quantitative and qualitative tests in a way which augured well for the prospects of fulfilment of the five-year plan outlined by Mr McNamara in 1968. Not only had the group increased its financing of development projects by 87 per cent, compared with the previous year, the geographical shifts in favour of Africa and Latin America and the sectoral shifts in favour of agriculture and education which Mr McNamara had proposed earlier had also been realised. The bank had borrowed $1.25 billions in the world's capital markets, 55 per cent more than in any previous year. Mr Konan Bedie, IMF Governor for Ivory Coast, welcoming these achievements, commented: "In sum, this increased dynamism, these qualitatives advances, and these effective evidences of goodwill are every bit as important in our view, as the record level of operations presented to us, and accordingly deserve equal tribute."

Another area of new activity of the bank is the proposed expansion of the programme of country economic reports. Many developing countries will hereafter receive a regular annual mission that will report in detail on economic and social progress and investigate all sectors of the economy with a view to determining priorities both for investment and pre-investment activity.

Although Mr McNamara has done well as President of the World Bank, the considerable increase in the scale of operations has not touched even the fringe of the development effort of the less-developed countries, especially in the context of the net official assistance from the developed countries declining in the years between 1961 and 1968. In 1961, the total flow of official financial resources from the non-communist developed countries to the developing countries was $6.1 billions forming 0.6 per cent of the combined GNP of the developed countries. In 1968, the flow was $6.9 billions, forming only 0.4 per cent of the combined GNP of the developed countries. It may be noted that between 1961 and 1968 the combined GNP of the developed countries increased by $500 billions.

Disturbing Fact

This fact of declining assistance becomes disturbing as the possibility of the World Bank's future placement of bonds being taken in the market looks doubtful. Dr Karl Blessing, the IMF Governor for West Germany, in whose capital market the bank had raised 46 per cent of its gross borrowing in 1969, has warned that the circumstances which had favoured this borrowing may not continue. It is in this connection that the suggestion of Mr Witteveen, Governor for the Netherlands, appears significant. He is for increasing the bank's resources by an increase in its subscribed capital. Mr McNamara has reacted favourably to the suggestion. In fact, a study of the desirability and feasibility of improvements in the bank's capital structure has already been initiated.

These general observations apart, we may turn now to some of the special problems of the developing countries to which the World Bank may pay greater attention in the future.

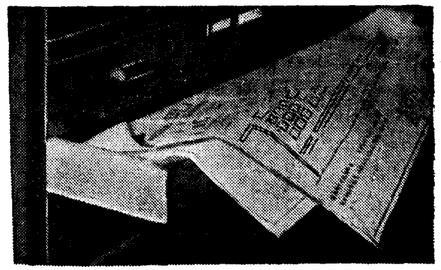
(1) One of the important problems facing the underdeveloped countries relates to service payments (payment of amortisation instalments and interest charges on the outstanding debts). These payments are expected to increase for a number of countries. The service payments in 1969 estimated by the World Bank for 79 developing countries amounted to $4.5 billions. These estimates do not include loans contracted after December 31, 1967, which would further increase service payments correspondingly.

Rescheduling Payments

With the growing burden of debt-servicing, a few major developing countries have been demanding rescheduling of debt repayment. Such a demand is understandable in view of the fact that debt-servicing has been growing at 17 per cent per year, absorbing much of the increase in the export earnings which has been about 6 per cent per year. As an escape from the explosive growth of debt-service, rescheduling was arranged in the past for such countries as Argentina, India, Ghana and Indonesia. In a bid to avoid the need for repeated rescheduling and to re-establish a realistic basis for development finance, the Pearson Commission has recommended that the terms of all official development assistance loans should henceforth provide for interest of not more than 2 per cent with a maturity of between 25 and 40 years and a grace period of 7-10 years. The suggestion is worth pondering over by the World Bank and the countries concerned. For loans taken for development are not all productive in the sense of loans taken for business purposes.

(2) Developing countries demand priority for non-project aid. At present, aid is tied to projects. This kind of aid limits the freedom of planners who set about their work in the total context of the country's economic circumstances. The aid-givers insisting on project-aid do not generally have a wide perspective in which the project falls. Non-project aid would encourage the developing countries to implement the programme which are less spectacular yet make a far greater contribution to their economic prosperity.

(3) Developing countries desire that they may be given preferential trade treatment in the procurement policies



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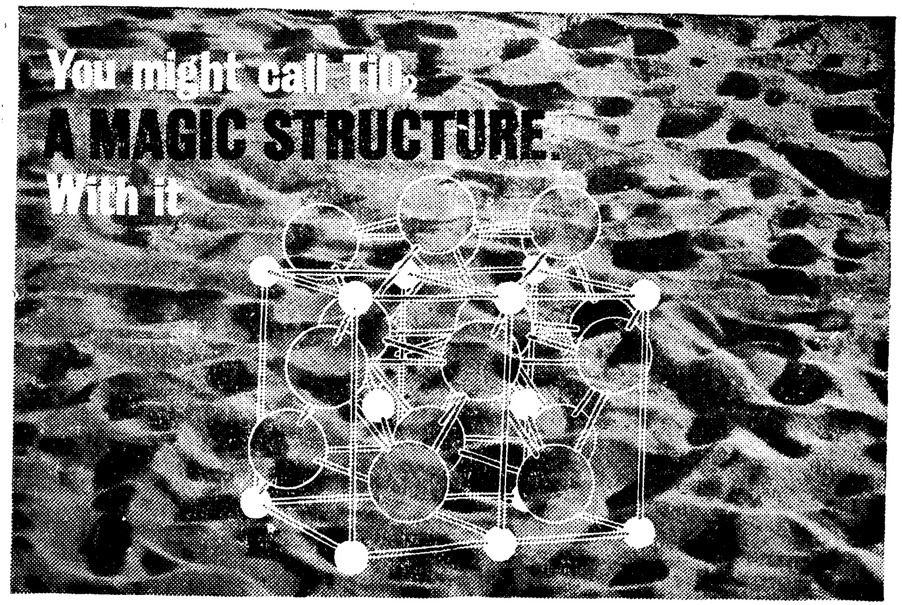

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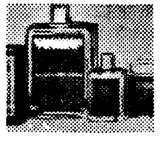

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of the World Bank group. At present the demand for generalised non-reciprocal tariff preferences in respect export of manufactures from the developing countries is yet to be met by the developed countries. The World Bank group may usefully give a lead in this behalf.

(4) At present, some developing countries including India are in a position to export non-traditional items such as capital goods and engineering products comparable in prices and quality to those coming from the developed countries. But they are outbid in the world market by the developed countries which grant long-term credits to their customers. The developing countries therefore demand rediscounting facilities to be created by the World Bank for the export credits granted by them to their customers. This rediscounting will go a long way in reducing the need for bank loans to developing countries which will be enabled to earn more foreign exchange through larger export sales.

(5) IDA loans are the most valuable resource of the World Bank group. IDA loans cost only a service charge of 0 75 per cent while the bank loans cost 7 per cent interest. IDA loans are particularly suitable in the financing of slow-yielding educational and agricultural projects. Naturally many developing countries see in a large increase of IDA credits relative to bank loans their only hope for avoiding a slow-down in development. The delay in completing the second IDA replenishment which meant that the resources it provided would have to last until June 30, 1971, instead of until June 30, 1970, as originally planned, was naturally deplored by many governors in September 1969. The hope was expressed at the annual meeting that replenishment could in future be placed on a less uncertain basis. The developing countries hope that the richer countries will not permit their balance of payments difficulties to interrupt the flow of aid from IDA.

Establishing Criteria

The need for a stronger role for IDA is powerfully endorsed by Mr Pearson, who said: "We believe that among existing organisations IDA is in the best position to exert leadership in the effort to establish criteria for the allocation of aid which emphasise economic performance, rather than the political relationships and historical accidents which bear little or no relationship to development needs or performance."

The suggestion, made in 1968, of Mr Colombo, IMF Governor for Italy, was renewed in the September 1969 meeting that a formal link be established between Special Drawing Rights and development finance. He had said that the chief industrial countries should agree to contribute the equivalent of part of their SDR allocations to the bank or IDA. But Mr Witteveen of Netherlands objected to any such link. He proposed, however, that the "Part I" IDA members should consider increasing their contributions to IDA. There may be reservations on the suggestion of Mr Colombo, but there is no doubt that the resources of IDA as also those of the bank need to be augmented.

At the end of June 1969, India's outstanding debts to the World Bank group amounted to $652 millions. With the total for all countries standing at $8,621 millions, India's share works out at about 7 per cent. Her population today is about 25 per cent of the total population of the non-communist world. It will appear from the figures that India is not getting her due share of the bank's resources on the basis of any rational criterion. With a per capita income of $75 which is one of the lowest in the world and with an administrative and planning machinery better than that of any other developing country, India's claim for a more equitable share in the bank's resources is certainly strong.

India's Disadvantage

India is at a disadvantage by the policy followed by the World Bank in another way. When the World Bank provides a loan for a project, it insists that in utilising its loan for the purchase of plant and equipment, the borrowing country should call for global tenders. The borrowing country must accept lowest quotation irrespective of the country from which it is received. This means that domestic firms which are in a position to supply a part or all of the plant and machinery required for the bank-assisted project must offer the lowest quotation. They find it very difficult to do so at the current cost and price levels.

The reasons are: (1) being in the early stages of development most capital goods-producing companies lack the competitive power which their counterparts in the advanced countries have; (2) having been set up, owing to technical imperatives, on a scale larger than justified by the current domestic demand, the industry carries a varying proportion of unutilised capacity which adds to the cost. While these two reasons are basic, there are others such as the social pressure to employ more labour than is required for efficient operation. In view of the higher cost of manufacturing due to reasons which are inherently a part of the early stages of industrialisation, it would be unfair to treat the capital goods industry in the borrowing country at a par with its counterpart in developed countries as competitors.

Following this logic, India made a request to the World Bank for some concession to the domestic producers tendering for the supply of plant and machinery to a World Bank assisted project. Seeing the validity of the argument, the bank gave a concession of 15 per cent to domestic tenders. This concession was, however, inadequate, So, India pressed for more — total concession of 27½ per cent equalling more or less the duty payable on imported machinery and plant. But the bank refused, rejecting the principle of equalising the concession to the import duty.

Curious Situation

The result of the refusal has led to a curious situation of India's capital goods industry being competed out in the domestic market — a fact which is made worse by its inability to export. The explanation is simple. The foreign quotation excludes the customs. The domestic quotation includes the customs levied on imported material that forms part of the capital goods produced by the domestic supplier. Supposing the customs to be 27½ per cent, and the concession at 15 per cent a foreign quotation of $100 will have to be preferred to a domestic quotation of $120, although the landed cost of the foreign stuff will be $127½ (vide T.K. Roy: 'Conundrum for Capital Goods' in *Margin* Vol I, No.4, July 1969).

The Government of India has naturally sought to circumvent this invidious consequence by treating Indian supplies to a project aided by the World Bank as exports which, like other normal exports, qualify for subsidies and concessions. We have yet to see how the World Bank would react to this. A more sensible thing for the bank to do would be to raise the concession to a higher level.

The splendid record of achievements, in the first full year of Mr McNamara's tenure, in terms of the quantitative change signified by the immense expansion of the scale of operations of the bank group as also of the qualitative change in the entire mode of operation indicates that now there is much less of an *ad hoc* approach in the affairs of the bank than before.

With the Pearson Commission's report having given the world a clear view

of development goals and the options available and with the World Bank president's well-meaning warning that "it is inconceivable that one-quarter of mankind, moving forward into self-accelerating affluence, can succeed in walling itself off from other three-quarters who find themselves entrapped in self-perpetuating cycle of poverty," there is hope that this new policy of aid will be pursued more vigorously under the leadership of Mr McNamara so that both the developed and developing countries are able to face the problems of international economic development in the right spirit, and there is a reasonable chance that the shared concern and effort will reduce the frictions and the dangers that afflict the world today.

Improving Retailing Efficiency

K·K· TAIMNI

THE PERFORMANCE of a retailing institution is of critical importance to any economy, especially when the pressure of social environments is such that there is a constant urge among the people within the community to raise their standard of living. Retailer adds a substantial element to the total cost of the product and plays a pivotal role as the final link between the producer and the consumer.

As a social institution, the retailer makes available to the community at the most convenient places products from far and near at considerable risk, provides an opportunity to the customer to check products before actual purchase and furnishes information regarding quality, utility and price. As an economic institution the retailer acts as the final link with the consumer in the process of distribution of goods and services. Regardless of how much value the manufacturer has built into his product, how well he has communicated this value to the consumer and how smoothly his production and physical distribution system may be functioning, it is the retailer who either consummates or obstructs the sale.

Marketing Concept

Recent shifts in the strategy of marketing of consumer goods and the term "Marketing Concept" lay even more emphasis on the role of the retailer. The retailer has now come to be considered not as the final link in the distribution process with the consumer, but as the initial link with him. Instead of being an agent of the market, he is sought to be made an agent of the consumer. This is just as well, because the mass production and mass consumption economy can hardly sustain itself if the retailer is not placed on a high pedestal and given his due place in the community and the market. That the Indian retailer continues to suffer in neglect and retailing in India remains a refuge of India's countless unemployed in a desperate search of means of livelihood is too well known but what is not equally well known is the fact that by ignoring the retailer and his activities a bottleneck is created in the process of smooth flow of goods from farms and factories to the ultimate consumer, much to the detriment of all — the community, the entrepreneur and the state.

Significant Advance

Much progress of late has been made in improving retailing efficiency. At first, such progress concentrated upon what might be called the cost revenue approach. Significant advances have been made in retail accounting systems and with the advent of sophisticated inventory and control system, the efficiency of many retailing institutions has reached a high level. Efficient processes have been developed for such varied aspects of retail management as store location, physical lay-out of store fixtures and merchandise, stocking and organisational development, mark-up calculations and procedures and warehousing. Most of these advances are concerned with increasing operating efficiency.

Let us have a look at the various practices followed by the Indian retailer. Basically there are three elements that are involved in a retail transaction; the customer, the salesman and the product, and the efficiency of the retailer really depends upon the inter-action between these three. This inter-action itself is, however, greatly influenced by the operational, organisational and environmental factors obtaining in a particular situation and any attempt designed to study the problem of improving retailing efficiency should focus attention on the constraints that flow from these factors and tend to hinder the smooth flow of the product from the retailer to the customer and the related element of service in the process.

The historical factors which had largely been responsible in impairing retailing efficiency all over the world and which have since been effectively tackled in all the developed countries are still to be seen in India. The pattern of distributive trade in India has been fashioned much in the tradition of its caste system. Take for instance a town in northern India. One finds a main bazar called "chowk" which is crowded with numerous small retail shops which deal in food or cloth, hardwares, jewellery, and other small consumer goods. Groups of competing merchants tend to occupy a particular section and cling to or cluster around a point in the town. Thus there is a bazar for grain merchants, green groceries and so on. There is a street where brass-wares are sold and another for pottery. Other auxiliary service shops, doctors, bankers, dry-cleaning shops congregate in the vicinity of the central bazar.

This particular pattern of the lay-out of the various types of shops creates many problems of locational convenience and of late under the competitive pressure and growing urbanisation, it has yielded place to a pattern where the town planners are providing compact neighbourhood in new towns — self sufficient in the matter of supply of essential necessities of life. This has been a big leap forward from the traditional pattern of distributive trade. But its impact is yet limited and the majority of our shops still carry on in the traditional manner and thus continue to suffer from low productivity. Apart from the historical reasons, the various environmental constraints and economic factors have contributed to the low productivity of the Indian retailer to a great extent. Surplus labour, scarcity of almost all the consumer goods and the seller's market, low capital investment, acute competition, limited choice of the products to the customers have all contributed to this low productivity. The general disdainful attitude of the community towards the petty retailer, the small trader and the merchant is also, in a way, responsible for the general lack of efficiency among the retail shops in the country.

The General Poverty

As the size of the retail shop and its scale of operations which have a direct bearing on its productivity are both dependent variables of the standard of living of the community which a particular shop aims to cater to, both remained at a very low level because of the general poverty in the country. In fact that entire Indian market, barring a few very notable recent exceptions in bigger towns of the country, is full of pigmy one-roomed, 10'x10' shops selling a very limited range of assortment of goods.

Such has been the perspective in which the Indian retailer has been so far operating but in the recent few years some significant changes have taken place,

both in the attitude and expectation of the people and the role of the retailer in meeting these expectations, as also in production techniques and consequently marketing and distribution strategies of manufacturers and producers. Both of these changes have, as it were, brought the retailer into the focus and it is rightly said that if the retailer is the final link in the chain of distribution of goods from the producer to the consumer and if he continues to suffer from structural and operational mal-formation, the entire chain becomes weak, for, no chain can be stronger than its weakest links.

Three measures therefore have obviously become overdue to improve retailing efficiency, if experience of the developed countries is to be taken as a possible guide.

The first of these is to bring about what may be called "the locational revolution" in the market. Far too often and too long the Indian retailer has been deciding the location of the shop on the basis of his own convenience and attachment and hence one finds the clustering of similar shops around a point in our towns. He expects the customers to come to his shop to purchase the necessary articles. This has to change and change very fast. The retailer has to locate his shop where the customers live, where they find it convenient to go and where they find similar other necessities available to them.

The rising expectations, the spurt in their incomes and influx of large number of workers in the market make it inevitable for the retailer to shed his old inhibitions and venture forth in areas unknown to explore the possibilities of more business and customer satisfaction.

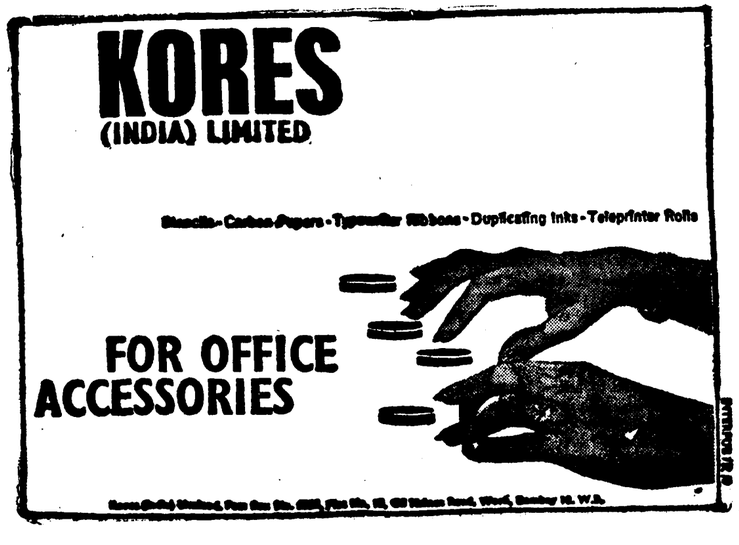
Radical Change Needed

The second of them relates to the freedom of the customer to move around in the shop and see for himself the products, its quality and price — before the actual purchase. This obviously calls for radical changes in the existing manner of lay-out within our shops where the customer is generally barred to enter.

The old distrust which our retailer has of the customer and consequently the practice of erecting countless barriers between the product and the customer, has to yield place to the new practices which make it possible for the customer to move around within the shop and see, know and satisfy himself about the product before he actually purchases it. Self-service sales system in staple articles and self-selection sales system in some others have helped many a retailer, even in this country, to increase the operating efficiency manifold. The old counter-sales system has in fact been found to be a major hindrance in the smooth flow of goods from retailer to the customer.

The third and the last factor which has become necessary for improving the retailing efficiency in the wake of recent convulsion in the society and general rise in expectations among the large numbers of our people, is that of adopting "low cost, low service, high turnover" merchandising policy. Recent studies have revealed that the Indian consumer is hyper-sensitive to price and does not react unfavourably if low cost is offered with low service. In fact the element of service is not at all recognised by him and appreciated. Under the circumstances it becomes imperative for the retailer seeking to improve his efficiency to be selective in his assortment, i.e., to select only those articles which have mass potential demand and to offer the same at lower cost, which are to be achieved by correspondingly lowering down of costs in the element of "service" that he offers.

These are some of the areas where immediate attention is necessary and the Indian retailer, who has to play an increasingly important role in days to come will do well in preparing himself for meeting the exacting demands of future.



FROM THE PRESS GALLERY

P M Survives No-Confidence Move

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday

THE OPENING of the monsoon session of Parliament this week followed the familiar pattern of the recent past; the union government faced a no-confidence motion at the very start of the session. But contrary to the past practice, when no issues were listed for no-confidence, specific reasons were given this time by the sponsor of the motion, Mr Madhu Limaye (SSP) for the want of confidence in the Council of Ministers. These were: (i) the government has countenanced and encouraged undemocratic trends resulting in threat of rigged elections in Kerala through manipulated electoral rolls and imposition on the people of a minority government which had lost the confidence of the Assembly prior to its dissolution; (ii) excessive concentration of power in the hands of the Prime Minister, Cabinet Secretariat and the Prime Minister's Secretariat; and (iii) dilution of the principle of ministerial control and general bureaucratisation of the government. References to economic matters were made by a few members only; that too when they had political overtones. A pertinent example of such references was to the unsatisfactory implementation of land reforms and the land grab movement launched by communists, resulting in violence and deterioration in the law and order situation.

Subservience to USSR

The government was assailed by the rightist members of the House for its total subservience to the Soviet Union. Most of the critics saw in the recent cabinet reshuffle a tendency on the part of the Prime Minister, Mrs Indira Gandhi, to foist her dictatorship. There were, however, differences of opinion on how the dictatorial tendencies were being bolstered. For instance, Mr Limaye felt that the country was being run by "an invisible government," comprising the Cabinet Secretariat which was manned by bureaucrats who claimed to be "communists" but who, in fact, were men having connections with "international capitalist cartles." Mr M.R. Masani (Swt.), on the other hand, expressed the view that the concentration of power by the Prime Minister in her own hands by taking under her direct charge the secret services and the secret police was on the pattern of the fascist and communist dictatorships. Mr Balraj Madhok (JS) accused the government of throwing all norms of democracy to the winds. This, he pointed out, was evident from the way in which elections were being rigged in Kerala. All India Radio and other publicity media, Mr Madhok alleged, were being used to boost the party in power. The principle of joint responsibility of the cabinet, he argued, had been give up.

The recent visit of Madam Binh to the country as state guest was scathingly criticised by many. The attempts at having fresh parleys with former princes in regard to the abolition of their privy purses and special privileges and the grant of several licences to big business houses in the recent past were cited to stress the point that the government did not practise what it preached.

Reckless Charges

The Prime Minister stoutly denied all these charges. Referring to the charge of concentration of power in her own hands, she pointed out that after the recent reshuffle of the portfolios of many ministers, the Prime Minister's Secretariat remained "just the same as before". Intelligence agencies, she added, were with the Prime Minister even in Britain. The departments of electronic and scientific and industrial research, she said, had been taken over by her in pursuance of a recommendation of the Administrative Reforms Commission. The cabinet, the Prime Minister asserted, functioned on the basis of collective responsibility. She, therefore, thought that "reckless personal charges" against her and her colleagues were unwarranted.

Regarding the alleged rigging up of electoral rolls for the Kerala election, Mrs Gandhi pointed out that these rolls had been revised in January and since then three by-elections had taken place but no complaints had been made. She further stressed that political parties should not expect the government to interfere with the functioning of the Election Commission.

The censure motion was lost by 106 votes — 243 against the motion and 137 for it. The line-up for the motion was indeed interesting; the motion was supported not only by the Congress (O), the Jana Sangh and the Swatantra parties (about which there are allegations that they are entering into a "grand alliance" against the government), but also by the CPM and several independent members. Those who voted against the motion were the members belonging to Congress (R), the CPI, the DMK and the Muslim League, some members of the BKD and the United Independent Progressive Group and several independent members. The PSP abstained from voting.

The recent decision of the British government to sell arms to South Africa led to a demand in the Rajya Sabha for our country withdrawing from the Commonwealth. The demand, however, was turned down by the Minister for External Affairs, Mr Swaran Singh, who stressed that the Commonwealth was not Britain's exclusive preserve and that Afro-Asian nations were in a majority in it. The Commonwealth, Mr Swaran Singh further stated, was useful to us for political and economic reasons.

The Minister, of course, assured the House that if ever the union government came to the conclusion that the Commonwealth was of no use to us, it would say good-bye to it. For the time being, he seemed to counsel patience.

Ridiculing the British government's attempts to justify its decision on the ground that its trade routes needed protection, Mr Swaran Singh observed that this doctrine had no relevance to the existing realities; "it conjures up a threat where none exists and tries to cover up the fact that Britain will be arming the racist regime of South Africa". With its disproportionately greater military strength, South Africa, Mr Swaran Singh said, was a threat to its neighbours; it was not the other way round.

British Aid to S. Africa

As regards the distinction which the British government had sought to make between arms and equipment for maritime defence and arms which would assist enforcement of the policy of apartheid, the Minister expressed the view that it could not convince any one. "It is our belief that any accretion of military strength to South Africa can only strengthen her resolve to continue the policy of apartheid. It will also inevitably introduce a new element of tension and conflict, especially for the neighbouring African countries, and bring in great power rivalry and cold war into the Indian Ocean region", he said.

The massive exodus of Hindus from East Pakistan figured prominently in both the Houses. Though different cause were put forth for this exodus, all those who spoke on the subject agreed that the matter required urgent attention of the government; not only with a view to stopping the influx into India but also for rehabilitating the incoming refugees.

Opinions on how the problem should be tackled also differed widely. The Jana Sangh, for instance, wanted drastic remedies. It wanted internationalisation of the issue by referring it to the U N and severing of diplomatic relations with Pakistan, if necessary. It also advocated that talks with Pakistan on Farrakha and the other river waters disputes should be resumed only on the condition that it took the responsibility of systematically squeezing Hindus out of East Pakistan. To fulfil this responsibility, the Jana Sangh wanted Pakistan to cede territory and pay cash compensation for the rehabilitation of refugees here. The CPI and the CPM members, on the other hand, urged the government to have bilateral talks with Pakistan in regard to all matters relating to the refugee problem, trade, travel, river waters, etc. The Congress (O) wanted the government to put all pressure on Pakistan through diplomatic channels to make it implement the Nehru-Liaquat Pact.

The immediate provocation for the exodus, the CPI and the CPM members felt, was the forthcoming elections in East Pakistan. The Muslim League and other parties, they argued, feared that Hindus would vote with the Awami League of Mr Mujibur Rehman who was favourably disposed towards India. The Jana Sangh members, on the other hand, expressed the view that the exodus was nothing else but the result of "a genocide being practised by Pakistan".

Bilateral Talks Favoured

The government spokesmen, Mr Swaran Singh and Mr D. Sanjivayya, the Minister for Labour, Employment and Rehabilitation, appreciated the concern of members but expressed themselves against the demands made by the Jana Sangh. They favoured bilateral negotiations with Pakistan and argued that it was only by persistant pursuit of the policy of bilateral resolution of issues that the stalmate in Indo-Pakistan relations could be broken.

As regards the causes of exodus, Mr Swaran Singh felt they were: (i) a heightened sense of insecurity in East Pakistan from the inactivity of the law and order machinery when there were attacks on the personal property of non-Muslims; (ii) increase in crime, particularly against women; (iii) general harassment of the minority community; and (iv) communal propaganda by certain political parties. In addition to these, the Minister pointed out, there was also propaganda by some people on both sides of the border to the effect that migrants would get agricultural land in West Bengal. This, however, was stoutly objected to by communist members who argued that jotedars were using refugees for creating conflict with local tenants who were their (the communists') supporters.

Question Hour

Tea Auction: The Minister for Foreign Trade, Mr L.N. Misra, told the Rajya Sabha on July 30 that the union government would not come in the way of the Government of Assam if the latter wanted to open a new auction centre for tea at Gauhati. He admitted that the proposed centre at Gauhati would adversely affect the employment situation in Calcutta, which is the main centre for tea auctions at present. But the decision on the Gauhati centre, he stressed, rested entirely with the Assam government; the union government could not intervene in the matter. Talking of the decline in tea exports during 1969, Mr Misra observed that this was due to several factors, including poor off-take by Britain due to large accumulation of stocks in London, reduction in the direct shipments of the commodity to London following unremunerative prices obtaining there in 1968 and 1969 and lower crop in India during 1969. The exports of tea during the first five months of the current calendar year, Mr Misra added, had shown an encouraging trend; they stood at 61.8 million kgs as against 50.8 million kgs during the corresponding period last year. With a view to stabilising the international tea market, Mr Misra revealed, the main exporting countries, at a meeting held in Mauritius recently, had agreed that 90 million lbs. of tea would be withdrawn from the estimated exports of 1970. A consultative committee had been formed by the main tea producing nations to evolve regulatory measures to give effect to this decision.

Export Trade: Mr Misra also told the Rajya Sabha on July 30 that while it was the government's declared policy to progressively take over imports, exports would be left in private hands "for the time being".

Trade Concessions: The Minister for External Affairs Mr Swaran Singh, informed the Rajya Sabha on July 30 that liberal customs and import trade control concessions would be accorded those traders of Indian origin in Kenya who wish to come to India for permanent settlement. He estimated that about 300 traders of Indian origin, majority of them British passport holders, would be affected by the June announcement of the Kenyan government that there would be no extension to the short-term trading licences given to these traders. These licences were given to enable them to wind up their business by a certain date.

Durgapur Steel: The Minister for Steel and Heavy Engineering, Mr B.R. Bhagat, informed the Lok Sabha on July 28 that the government did not favour the shifting of Durgapur steelworks from West Bengal to any other place in view of the endemic labour trouble there. Earlier, the Minister of State for Steel and Heavy Engineering, Mr Shafi Qureshi, turned down in the Rajya Sabha on July 27 a suggestion to withdraw the Central Reserve Police and the Industrial Security Force from Durgapur.

Foreign Aid: The Minister for Finance, Mr Y.B. Chavan, told the Lok Sabha on July 28 that the total aid commitments from the Aid-India Consortium countries during 1970-71 were likely to be of the order of Rs 640 crores, as againt Rs 610 crores last year. This included both project and non-project aid. So far in the current financial year, agreements have been signed for a total of $117.5 million (Rs 88.1 crores) aid, consisting of $15 million (Rs 11.25 crores) of debt relief from the IBRD, $62.5 million (Rs 46.9 crores) of project aid from IDA and $40 million (Rs 30 crores) of project aid from the IBRD.

Pre-fabricated Housing: The Minister of Health, Family Planning, Works, Housing and Urban Development, Mr K.K. Shah, told the Rajya Sabha on July 29 that the government was examining the recommendation of an experts committee to set up six new factories for the production of pre-fabricated building materials. Each factory, he added, would cost about Rs 2.5 crores. The working of Hindustan Housing Factory, the Minister said, had yielded a profit of more than Rs 6 lakhs during 1968-69. The cost of production of pre-fabricated materials, he conceded, might not be lower than those produced by conventional methods, but the main advantage in the case of the former ones was that construction was much quicker.

Housing Shortage: The Minister of State for Housing, Mr Perimal Ghosh, informed the Lok Sabha on July 28 that the estimated housing shortage in April last year was 119 lakh units in the urban areas and 718 lakh units in rural areas.

Employees' Insurance: The Minister for Labour, Employment and Rehabilitation, Mr D. Sanjivayya, told the Lok Sabha on July 30 that the employees' state insurance scheme was likely to be revised to include the central government share in its fund.

Ordnance Factories: The Minister for Defence Production, Mr P.C. Sethi, told the Rajya Sabha on July 30 that the government was considering the setting up of a high level Ordnance Production Board with adequate administrative and financial powers for the better management of ordnance factories. The assembly of the improved version of MIG-21 aircraft, he added, would commence in 1973-74.

WINDOW ON THE WORLD

Exchange of Danish Know-How

THE INTERNATIONAL exchange of industrial know-how and the establishment of technical and commercial collaboration across national boundaries are today vital factors in eliminating the technological-managerial gap and achieving the optimum return on invested industrial capital.

This basic fact forms the foundation for the common economic interests in all countries in the purchase, sale and exchange of industrial know-how in the widest sense, as a two-way traffic across national borders. No nation interested in economic development would wish to miss its share in this stream of industrial expertise. The advantages are both obvious and considerable.

Against this background the systematic, co-ordinated presentation of an industrial nation's technological, productive and marketing knowledge — industrial know-how — in informative lists of available complete plant, turnkey projects, know-how and licensing projects was a welcome innovation on the international market when it was introduced by Danish industry.

Practical Idea

Representatives of finance and industry expressed satisfaction when the Federation of Danish Industries, some two years ago, published a combined Danish outline of technical-commercial co-operation with many qualified Danish industrial concerns who offered production collaboration of different types, including joint venture projects.

The idea was simple and practical: to make relevant information on Danish industrial projects readily available to industrial or capital groups, planning and investment offices in other countries. This would assist in more convenient selection of the projects that could be of interest, and be related to an effective distribution of follow-up information in the form of printed project-data sheets containing further details of the technical process, production method or product concerned. Information was also provided about investment prospects, managerial and administrative assistance, training of key personnel, on-the-spot assistance by Danish technicians, and other details.

This comprehensive plan for industrial co-operation has proved successful. Since it was launched in 1967, a number of production collaboration agreements have been reached with concerns in highly industrialised countries, developing countries and in some cases with state-operated production concerns in socialist countries. New productions, some of them involving Danish capital investment, have started in a number of countries.

A revised and considerably expanded summary has now been prepared of the collaboration offered by Danish industries in the form of turnkey, know-how and licensing projects. Many of these also involve investment and can thus develop into a joint venture. The projects involve all the main industrial groups: food and beverage industries, textile industries, wood industries, furniture, paper industries, plastics, chemical industries, pharmaceuticals, stone and clay industries, electrical and non-electrical machinery, metal products, etc.

Industries Involved

The internationally-known Danish industries involved include, for instance, the cement machinery industry, in which a large Danish engineering firm specialises in complete cement plant, supplying all equipment and the know-how involved in cement production.

The machinery and know-how from the food and beverage industries are also worth study. Complete sugar-diffusion plant and glucose production systems are offered. In many countries these highly advanced production units contribute to the national housekeeping. Other projects involve complete slaughter-houses, modern dairies, cold stores, fish-meal factories and many other types of plant.

Complete breweries built by Danish specialists are in operation in all parts of the world. The secrets of producing good lager beer, soft drinks, etc., are industrial know-how developed as a speciality by Danish industry and made available to other countries.

Danish inventions are involved in the delivery of complete special plant for spray-drying in chemical industries, ceramic industries and the paint and tanning sector — a technical process that has won great interest in many industries.

In the light of the huge sums invested in practically every country to provide new housing and industrial buildings it is understandable that there is a great demand for rationalised prefabricated building systems. Danish industrialised building methods are among the most advanced, and a large number of agreements have been made with foreign licensees to cover local production demands in all parts of the world.

Closely related to this field are the projects for complete hotels, involving construction and all external and internal equipment. These turnkey projects are the result of collaboration by a group in Denmark representing industrial building and hotel equipment (modern furniture, refrigeration and ventilation plant, etc.). Also complete hospitals might be mentioned.

The latest examples of Danish industrial know-how include the development of a method of dry-production of non-woven material for paper and textile-type paper products, such as ordinary paper and cardboard, clothing, bed linen, towels, serviettes, building materials such as building boards, wall-paper, artificial leather and many other items. A prominent Danish inventor is responsible for this project, which is followed closely by paper and related producers.

The above examples from the new summary are far from complete. The new summary contains know-how and turnkey projects in most important industrial sectors, including paint and lacquer production, packaging, computer service for chemical and other industries, chemical and petro-chemical plant, machines, metal products, transport, building materials, prefabricated housing systems, etc. The plan also includes know-how in idea-development and innovation in the technical fields as a whole.

One of the Highest GNP

The foreign purchase of industrial products in Denmark amounted in 1969 to about 1,800 million US dollars, (13,500 million D. Kr.). The gross per capita national product (current prices) was approximately 2,540 US dollars for Denmark in 1968, one of the highest in the world.

Another barometer of Denmark's fund of industrial knowledge is the foreign purchase of technical-commercial know-how in Denmark in the form of rights to Danish patents, trade marks, Danish designs, etc. This includes legally protected production methods, processes or products.

The established Danish industrial co-operation system can arrange effective, rapid contact with Danish industrial firms. Danish embassies abroad, as well as local organisations, and the main industrial organisation in Denmark, the Federation of Danish Industries in Copenhagen, and Industrial Know-How and Licensing Assistance Centre, makes free copies of the printed summaries and the appropriate project-data sheets available as a basis for direct negotiations with Danish firms on industrial collaboration agreements.

The moving finger writes

As I apprehended last week, the "grand alliance" concept has promptly dashed itself to pieces on the rock of realities. The more pragmatic programme for a working arrangement among nationalist, democratic parties to function in Parliament as a co-ordinated opposition to the government, however, has emerged as a strong and clear possibility, thanks to the very factors which have wrecked the "grand alliance" proposal. Thus the official Congress, now convinced that there is too much domestic resistance to any move capable of being interpreted as an ideological compromise with reactionary political forces, has been forced to realise that, in the circumstances, the only means it has of organizing an effective opposition to the party in power is day-to-day co-operation with as many opposition groups as possible on all such issues as are at all capable of being dealt with in this manner. To the extent that this strategy cannot be pursued indefinitely on a purely *ad hoc* basis, an understanding will no doubt have to be reached among these parties or most of them for systematic co-operation sooner rather than later.

Meanwhile it is clear enough that the official Congress party has had a difficult time of it in trying to keep itself together in the face of the first serious test of its cohesiveness. The interests of its state units in Gujarat and Mysore have come to clash sharply with the plans of the national leadership to build a united front against the ruling Congress party in Parliament and, within the national leadership itself, there are dissensions which reflect partly the reservations entertained by the pradesh bodies and partly the clash of personalities at the top. In fact, it may not be an exaggeration to suggest that there seems to be even less mutual trust between Mr Morarji Desai and Dr Ram Subhag Singh these days than between Mrs Indira Gandhi and Mr Y.B. Chavan. Are we to suppose that our political leaders have become such incorrigible individualists, if not egoists, that they must quarrel among themselves not only for the loaves and fishes of office, but also for the largely non-existent "percentages" of non-office?

* *

There is not much point in discussing the "merits" of the Orissa agitation for a second steel plant, since the central government's recent decision on new steel plants was prompted by political considerations and, indeed, by considerations of narrow political advantage accruing to the ruling party. At the same time, it would be difficult to find fault with Mr B.R. Bhagat's assertion that the expansion of capacity at Rourkela ought to take precedence over the establishment of another steel plant somewhere else in the same state. Only, the new Steel Minister no doubt knows in his heart of hearts that his argument can and perhaps should be extended logically to cover the more general proposition that the proper working, let alone the expansion, of existing steel plants not only at Rourkela, but also at all the other steel centres should enjoy a higher priority than the initiation of new projects anywhere in the country.

* *

If Mr Prakash L. Tandon's remarkable performance at the STC seems less impressive than it is, he has only himself to blame. As one of the outstanding executives in the private sector, he came to the STC as its chairman with a rich reputation for his experience and mastery of modern business management. His skills were bound to make a large impact on an organization which, conceived in political opportunism, has grown into a sprawling and spoilt Leviathan over years of bureaucratic amateurism and adventurism. The STC, in other words, had been brought to such a state that any change for the better in its technical and commercial leadership was bound to produce strikingly improved results and the appointment of Mr Tandon as its chairman was not merely just a change for the better but a revolutionary transformation of its managerial prospects.

Although the STC enjoys the advantage of being able to spread its overheads increasingly widely thanks to a largely automatic expansion of its business induced by the government's commitment to the growth of state trading, Mr Tandon's personal contribution to the efficiency and economy of its operations, through tighter inventory control and other improved managerial practices, has helped to raise its profitability significantly. This is not to suggest, however, that all is well at Chandralok, the new premises of STC. There is still far too much talk or suspicion of corruption and the only remedy possible here of course is that Mr Tandon should persevere with the streamlining and modernising of his organization. One of his first objectives, rightly, has been the delegation of authority and dispersal of the decision-making processes. This policy must continue, but simultaneously greater emphasis should be laid on effective vigilance procedures operating through a system of strategic checks and inspection and the stricter accountability of officers. As for the larger question of the socio-economic cost of state trading or even the STC to the nation, it is a matter with which Mr Tandon can be expected to concern himself, like the rest of us, only in his capacity as a citizen.

* *

The countries which are in "this aid business", as it is cynically phrased, have built themselves a wide variety of reputation. Canada, for instance, seems to enjoy high commendation. Although its "aid" operations are necessarily on a smaller scale than those of some other countries, especially its neighbour, the United States, it has managed to command international respect for the objectivity (amounting almost to a pure ethical quality), of its aid policies. Observers are particularly impressed by the fact that, in Canada, public opinion is ahead of the government on the issue of liberalising the terms as well as the quantum of development assistance. Mr Lester Pearson, it would seem, is only the well-articulated conscience of the Canadian nation. Incidentally, it needs to be widely known and appreciated in this country that, in terms of net development assistance extended to our government and our people, Canada ranks next only to the United States and Great Britain.

Another country which could boast of a "good" name in "this aid business" is Sweden. Although the scale of Sweden's development assistance to this country is relatively small, its quality is of the highest, largely because the Swedish government has been often taking the initiative in advising and guiding our government in obtaining the best value for "aid" funds spent on purchases from Swedish industry. The Swedish government, in other words, seems to be greatly concerned to ensure that only reasonable prices are charged by Swedish industry on supplies financed by Swedish development aid. Incidentally, a major means of utilisation of Swedish "aid" has been joint ventures in which Swedish firms collaborate with Indian enterprises. A collection of profiles of "Swedish Colloborations in India", published by the Commercial Attache of the Swedish Embassy in New Delhi, lists 36 Swedish firms and 40 Indian firms as being in this field.

V.B.

Trade Winds

CURBS ON PLEDGED SHARES

COMPANIES WHICH pledge shares above the value of Rs 50,000 to banks or other institutions, will have to surrender the voting rights to them. The surrender will be limited to the pledged shares. This decision was taken by the union cabinet on July 30. The banks will exercise the voting rights in consultation with the LIC and the Unit Trust. The borrower-companies will be given adequate time to repay the loan. Only if they fail to do so within the specified period, the "surrender" clause would come into operation.

IMPORT OF TV SETS BANNED

The union government has been permitting the import of TV sets gifted by near relations abroad to persons residing in areas covered under AIR's TV programme. With the development of indigenous production and the availability of TV sets made in the country, the union government has decided that, with effect from August 1, 1970, no further applications for import of TV sets will be entertained.

DEFERRED PAYMEMTS TO JAPAN

An agreement allowing this country to defer repayment of 9,148 million yen (about Rs 19.05 crores) in debts to Japan was signed recently between the President of the Japan Export Import Bank and the Indian Ambassador in Japan.

COTTON CORPORATION

The Minister of State for Foreign Trade, Mr L. N. Mishra, told the Lok Sabha regarding the establishment of the Cotton Corporation of India in the public sector. The corporation will take over the entire import trade in cotton from a date which will be notified shortly. From that date, the practice of issuing import licences to user mills will be discontinued. Instead, import licences will be issued to the cotton corporation, with an endorsement in favour of the user mills for which the imported stock is intended. The corporation will consult the user mills in regard to their requirements and conclude contracts in consultation with them. In effecting purchases and concluding contracts, the corporation will draw upon the experience of those who have been engaged in this trade in the past.

It will be headed by a chairman and managed by a managing director. Arrangements for the establishment of its office have been taken in hand and are expected to be completed very early. Considering that the import of cotton in a year is of the order of Rs 85 to 90 crores, the corporation will have an authorised capital of Rs 5 crores and a paid-up capital of Rs 50 lakhs which will be subscribed fully by the government.

E.C.G.C. NEW SCHEMES

The Export Credit and Guarantee Corporation (ECGC) has introduced some new schemes in order to encourage export of technical services and to help Indian firms to take up construction works abroad. The ECGC, which has so far been covering credit risks in respect of export of goods only, has now introduced a "services policy" scheme which will protect the Indian firms against the risk of non-payment for services rendered to foreign parties. This cover is available for invisible exports in the form of technical or professional services, royalties, hiring and leasing, copyright fees, etc. The Indian firms, which secure orders for execution of construction works abroad or for rendering technical or professional services to foreign parties may need credit facilities from banks, which make available such credit as "packing credits" to be adjusted within 180 days of the date of advance by negotiation of bills relating to the contract or by remittances received from abroad in respect of the contract. ECGC has evolved a separate packing credit guarantee to cover such advances in the same line as it is at present covering pre-shipment advances made by banks for execution of orders for export of goods. The new guarantee, like the existing packing credit guarantee, will protect the banks against 66⅔% of any loss that may arise due to the insolvency of the 'exporter' or his protracted default.

ECGC has also extended the scope of its export performance guarantee to cover guarantees given by Indian banks to banks in a foreign country in respect of advances made by the foreign bank in local currency to the Indian firm doing construction works or rendering services to parties in that foreign country. Besides, the ECGC has decided to raise the limit up to which advances can be made by banks under the export finance guarantee from 25 per cent to 50 per cent of the f.o.b. value of the goods exported, subject to the condition that the actual advance made should not exceed the value of cash assistance and duty drawback that would accrue on the relative shipment.

CREDIT GUARANTEE CORPN

The union cabinet has decided to set up a credit guarantee corporation. It will testify to the soundness of projects of smallentrepreneurs who ask for bank loans up to Rs one lakh. The grant of loan will depend on the report of the proposed corporation rather than the old criteria of creditworthiness.

REVISED DRUG PRICES

The small-scale pharmaceutical units have been given another month's time for furnishing the revised price lists to the retailers. They can now do so by August 31, 1970. Those among these units who want to opt in favour of the alternative scheme of pricing can also do so by that date. According to a notification issued by the union government on July 28, extending the period, a small-scale unit will mean an industrial unit with an investment of not more than Rs 7.50 lakhs in plant and machinery irrespective of the number of persons employed. It may be recalled that the Drugs (Prices Control) Order 1970 issued on May 16 had said that all pharmaceutical manufacturers should supply the retailers with the revised price lists within a period of two months. This period was later extended up to July 31, 1970. Those, who wanted to opt for the alternative scheme of pricing, were also required to do so by July 31, 1970. The small-scale units have now been given one more month to do so.

Instructions have been issued that retailers will sell even their old stocks, which bear on the packs pre-revision prices, at the revised prices.

DRUGS PRICES REVIEW BOARD

Consequent on the issue of the Drugs (Prices Control) Order, 1970, government has decided to appoint a Drugs Prices Review Board consisting of the following members: Mr M. Ramakrishnayya, Joint Secretary, Ministry of Petroleum and Chemicals & Mines & Metals. (Dept. of Pet. & Chem.) as Chairman and Mrs Prema Johari, Joint Secretary, Dept. of Health & Family Planning, Mr R. K. Talwar, Joint Secretary, Dept. of Internal Trade, Ministry of Industrial Development, and Internal Trade, Mr P. S. Ramachandran, Drugs Controller, DGHS., Dr B. Shah, Industrial Adviser, DGTD., and Mr N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance as members and Mr A. Satyanarayana, Deputy Secretary, Dept. of Petroleum and Chemicals as Member-Secretary. The functions of the

Board will generally be as follows: (*i*) to examine the revised price lists as furnished by the industry under the provisions of the Price Control Order and to recommend refixation wherever necessary; (ii) to examine representations against the fixation of prices of bulk drugs and to recommend fair selling prices; (iii) to consider and report on issues arising out of the alternative scheme of pricing as provided in the Price Control Order; (*iv*) generally to keep watch over the drug prices, basic and formulated; and (*v*) to consider and report on such matters as may be specifically entrusted to it by government. The tenure of appointment of the Board will be for one year or till such date as the work is assigned to the Bureau of Industrial Costs and Prices, whichever is earlier.

ESSENTIAL COMMODITIES

The Ministry of Industrial Development and Internal Trade on July 24, 1970, declared the commodities specified below to be essential commodities:

(1) Bare copper rods, wires and strips of all sections; (2) braided copper conductors; (3) enamelled copper/aluminium rods wires and strips of all sections; (4) cotton, silk, paper, fibre, glass tape, etc., covered/copper/aluminium rods, wires and strips of all sections; (5) copper/aluminium rods, wires and strips of all sections coated with tin and/or other metals; (6) copper fuse wire; (7) copper clad steel wire; (8) grooved contact wire; (9) paper insulated lead sheathed cables with copper/aluminium conductors; (10) rubber insulated cables with copper/aluminium conductors; (11) rubber insulated flexible trailing cables with copper/aluminium conductors; (12) PVC polyethylene/cross-linked polyethylene/plastic cables with copper/aluminium conductors; (13) aluminium conductors steel reinforced/all aluminium conductors; (14) coaxial and drycore cables for communication; and (15) other types of cables and wires with copper/aluminium conductor not specified above. In this, "copper" means electrolytic copper and "aluminium" means electrolytic aluminium.

I.D.A. FUNDS

This country has welcomed the doubling of the current rate of replenishment of funds of the International Development Association, the World Bank's soft loan affiliate, from $ 400 million a year in the three-year period 1968-71 to $ 813 million a year in 1971-74. Official circles believe that the efforts of the World Bank President, Mr Robert McNamara, have proved fruitful, though his one billion dollar a year goal is not immediately in sight—a good augury of a somewhat improved climate for development aid. Twenty-two developed nations will make up a total contribution of $ 813 million a year for the next triennial replenishment, effective from July 1, 1971. The World Bank also expects some contributions from new sources so that the three-year total might be around the $ 3 billion.

BILLET DISTRIBUTION POLICY

The new billet distribution policy, which will come into effect from August 1,1970, is based on an estimated availability of 53,000 tonnes of billets per month for domestic use. Mr Mohd. Shafi Qureshi, Deputy Minister for Steel and Heavy Engineering, indicated that the earlier policy was based on an estimate of 75,000 tonnes per month. As the actual supplies were less, it was decided to make the policy more realistic. He added that any excess supplies would automatically go to increase the normal quota of all the re-rollers. Out of the monthly availability of 53,000 tonnes, the quota for rolling bars and rods for indigenous consumption will be 25,000 tonnes. The quota for rolling bars and rods for export will be 9,000 tonnes. The Engineering Export Promotion Council will get 2,500 tonnes, DGS & D contractors 4,000 tonnes and Railway Workshops 1,500 tonnes.

PRODUCTIVITY IN STEEL PLANTS

The estimated productivity in terms of ingot tonnes per man year in the works departments after the current stage of expansion is reached would be 85 in Bhilai, 75 in Rourkela and 70 in Durgapur. The actual productivity in 1969-70 in terms of ingot tonnes per man year was 79 in Bhilai, 54 in Rourkela and 45 in Durgapur. The labour productivity in terms of ingot tonnes was stated to be 208 in the USA, 140 in the USSR, 125 in Japan, 123 in France, 109 in Australia, 102 in the UK and 97 in West Germany.

ATOMIC ENERGY

The Atomic Energy Commission has proposed a Rs 1,250-crore atomic energy programme for the decade 1970-80 which will aim at producing 2,700 mw of nuclear power before 1980. The programme was presented on July 25, by the Chairman of the Commission, Dr Vikram Sarabhai, at a meeting of the Consultative Committee of MPs for Atomic Energy and later at a press conference. The commission has compiled a profile for the decade 1970-80 for atomic energy and space research. The programme proposes to set up new power stations of 1,700 mw of which construction should start during the current Plan. It will be necessary to design and construct advanced thermal reactors of about 500 mw unit size which would lower the capital cost of power stations, while still producing plutonium for future needs in fast breeder reactors. The programme includes completion of fast breeder test reactor and experience with technology of plutonium enriched fuel, its fabrication and reprocessing, sodium coolant technology, and experience with thorium bred U-233 fuel.

WORK ON NEW STEEL PLANTS

The large volume of work relating to project reports and other consultancy services for the new steel plants at Visakhapatnam, Hospet and Salem, is proposed to be distributed among competent Indian consultancy organisations in the public and private sectors. Mr Mohd. Shafi Qureshi Deputy Minister for Steel and Heavy Engineering, added that supply of equipment and construction of the new plants would be undertaken by public sector agencies with such assistance as might be necessary from private sector organisations.

NATIONAL SAFETY AWARD

Gujarat Refinery has been awarded the National Safety Award for the year 1969. This is the third year in succession that refinery has won this honour. In the years 1966 and 1967, this refinery was awarded the National Safety Award by the National Safety Council of Chicago for good safety performance. During the year 1968 this refinery was awarded the National Safety Award based on the longest accident-free period with a cash prize of Rs 25,000 by the union Ministry of Labour and Employment. This refinery was also declared as the second best factory in the country in a competition organised by the Baroda Productivity Council in 1968.

STATEHOOD FOR HIMACHAL

The union government has decided to grant full statehood to Himachal Pradesh and a Bill is to be introduced in Parliament as early as possible to give effect to this decision. The announcement about the government's decision was made in the Lok Sabha on July 31, by the Prime Minister, Mrs Gandhi.

NAMES IN THE NEWS

Mr. M. P. Abel, Financial Controller, Oil India Limited, is due to retire, soon, after a distinguished service of over four decades to the oil industry in India. He will be succeeded, as Financial Controller, by **Mr S. N. Bhat**, a senior official of the Railway Accounts Service, who had been appointed earlier, as Financial Adviser, Oil India Limited.

Mr S. D. Mehra, Retd. Secretary and Treasurer, State Bank of India, has taken over as Chairman and Chief Executive Officer of the Bank of Rajasthan Ltd.

COMPANY MEETING

ACCOUNTABILITY IN THE STATE TRADING CORPORATION OF INDIA

Speech delivered by Prakash Tandon, Chairman, at the Fourteenth Annual General Meeting of The State Trading Corporation of India Limited, New Delhi, July 31, 1970.

SALIENT FEATURES

		1967-68	1968- 69	1969-70
Exports	**Rs. Crores**	**23.6**	**48.5**	**55.1**
Imports	,,	**115.8**	**114.1**	**150.2**
Domestic	,,	**1.8**	**4.6**	**5.4**
Total sales[1]	,,	**141.2**	**167.2**	**210.7**
		(46.3)	**(47.2)**	**(47.6)**
Total expenditure[2]	,,	**4.1**	**4.5**	**4.0**
Profit before tax	,,	**7.7**	**12.1**	**12.7**
Profit after tax	,,	**2.3**	**4.0**	**5.2**
Dividend	,,	**0.3**	**0.4**	**1.0**
Equity capital[3]	,,	**2.0**	**2.0**	**5.0**
Reserves	,,	**9.6**	**13.4**	**11.8**
Stocks	,,	**40.9**	**30.6**	**17.9**
Debtors	,,	**23.4**	**23.1**	**20.5**
Overdraft at year-end	,,	**—13.6**	**—3.7**	**+1.4**
Profit before tax: sales	%	**5.4**	**7.2**	**6.0**
Stocks: sales	%	**28.9**	**18.3**	**8.5**
Expenditure: sales	%	**2.9**	**2.7**	**1.9**

1. **Figures in bracket show sales of our fertilizer import business that was transferred to Minerals & Metals Trading Corporation on 1-1-1970.**
2. **Total expenditure includes interest.**
3. **Increase due to two successive bouus issues.**

The Directors' report giving an account of their stewardship is in your hands; and above we have given some key figures of our performance which speak for themselves. I can only say that it was a generally bright year for your Corporation, of growth healthily achieved, with a more efficient deployment of resources—men, money and materials. For this all credit is due to the Ministry of Foreign Trade for their support; and the dedicated efforts of our own men and women, who can be justly proud of their achievement. I owe deep personal gratitude to the Minister and his Secretary for their always permissive and sensitive support to me.

But there is a submission that I would like to make on the Corporation's profitability for your serious consideration.

While profitability at 6.0% of turnover is poor by all standards, when it should be around the customary 10% plus, we are nevertheless constantly under pressures to reduce our prices and margins. As the scope for further saving in inventories and expenditure is now nearly exhausted, such pressure will only lead to a yet further reduction in profitability.

In keeping with my own past practice while leaving you to judge the performance of the Corporation from its Annual Report and Accounts, reflecting the much it has done well but the much more that it needs to do better, may I turn to an aspect of the Corporation, namely, its Accountability—a matter of some importance, in which we are all vitally interested.

Much is said about the [stricter accountability of the Public Sector, belonging as it does to a single national shareholder, and therefore the society in general. I believe this depends upon how you define accountability. The Review Committee on STC in its report made some comments which are worth quoting :

'The Corporation needs a new definition of its accountability. Various institutions, Government, public and parliamentary ask numerous questions. This to us does not by itself constitute accountability in a public undertaking. Answering questions on its operations, especially when a crisis occurs, is also not real accountability.'

'To us the ultimate test is one of targets set, performance measured and an account given. The more the Corporation concentrates upon this absolute concept of accountability instead of to whom it is responsible, the healthier it will become, and so will the criticism it will receive in future.'

'True accountability in our opinion is a system in-built in the Corporation to measure, appraise and convey its performance.'

'A model built of the Corporation would show that while its core function is marketing, with contributing service functions around it, at the boundary it has a somewhat larger than usual span of those with whom it has to deal—Ministry and Government, trade and industry, commodity boards and export promotion councils, agencies of Government abroad, press, public, Parliamentary committees, and Parliament itself at the very top.'

'To all these the Corporation is responsible, and its accountability lies in how well it plans and budgets, measures and appraises, and regularly conveys the results'.

'To sum up, the question is not to whom the Corporation is responsible, but how it conceives and discharges its responsibility.'

Accountability, therefore, must be viewed as not just answering the 'casual question', but a complex of systems and relationships internalised within, and externalised at the periphery—a style of management: a way of life for the Corporation. Let me elaborate.

At present, all that a company, public or private, is required statutorily to do is to prepare its annual accounts on a format laid down under the Companies Act, which shows some figures for the year and others on the last day of the year, together with as brief an account as they like by the directors. And this can be done any time within six months of the year-end, or later with permission; by when it has become history anyway.

For public undertakings, there are though some quite shrewd and incisive appraisals, but these are done once in a while, and that also some years after the event, by when the men responsible have usually moved on and the decisions have lost their pristine freshness; when it is difficult to recall the pros and cons that weighed with the decision makers at the time, and especially the nuances that often determine a decision.

If I may be forgiven I would liken it to inspectors of a shipping line boarding a ship, say, at Tokyo, on its journey from Bombay to Tokyo and addressing the captain, who has prepared himself to give a full account of the voyage thus: 'We should like to discuss with you, Captain, the fuel efficiencies and the quantity of fuel bought on the voyage that this ship took six years ago, from

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MOHAN MUDRANALAYA, BOMBAY-15

Rotterdam to Buenos Aires, because we find from records that the fuel consumption and the price paid on that voyage was on the high side, and you did not issue a tender.'

The captain will no doubt find this valuable excercise, but more valuable will it have been to have discussed with him, the voyage that he had just completed. Today, economic and industrial events move very fast indeed, and a post-mortem of yesterday is likely to be more helpful than an exhumation of some years ago: of a past long dead disinterred.

Equally important as the time factor is the quality and content of the examination. While pointing out shortfalls, ideas should be brought to the surface that are translable into an immediate improvement in operations and results; and thus to leave the management with a knowledge of where it did well, or badly or should do better in the future. Important, too, that the examination should not merely confine itself to the propriety of actions but also their results, for after all in the end essential though it is that a company has followed the rule it is yet more important that it has produced results.

An examination which leaves a management feeling bigger and better, with new directions before it, will benefit the organisation: conversely, as the one that leaves a management crestfallen will have harmed it. But these are problems of large Corporations the world over today, of how to appraise their units and encourage them to do better There will always be cases where a top management has consistently failed: it is usual then to quietly remove the very top than to leave the whole organisation diffident.

May I now turn to how your Corporation is evolving its own definition of accountability, and begin by stating that it is trying to make accountability an operational philosophy: as much a part of its system as servo-mechanism of a control system, so that as it runs, it registers information from preselected keypoints and goes into action when things begin to go wrong. Those to whom the machine is responsible will thus only have to watch, and when all is well leave it be.

Your Corporation is therefore building both an appraisal system and a correction system so that the organisation becomes gyroscopic in its self-adjustment as the appraisal system hoists a signal, corrective action is automatically generated. This is at least an ideal we strive towards.

Let me now give you a brief account of how our system is trying to work.

Performance Budget :

This is the cornerstone of our edifice of accountability. We began last year with a detailed budget that was a statement of our marketing intentions, quantified in terms of men, money and materials required to translate intentions into results—exports, imports and profits. The Budget both looked back into the previous year's performance, and it looked forward into the coming year for its targeted performance. Our new budget while estimating for 1970-71 also makes a tentative projection into 1971-72; and next year we hope to plan for 3 years.

The Budget became our master plan, and like the course charted by the ship's captain, which is then followed with meticulous care and corrected whenever he goes off course, so we follow it closely. Our first year's experience has been encouraging because we hit the targets accurately, largely because of the appraisal systems we introduced, whereby our Management Advisory Committee, consisting of the Division Heads, met assiduously every week to review the previous week's progress and then discussed it with the Committee of Management—the executive directors.

Performance Appraisal :

This is done on a daily, weekly, monthly and quarterly basis—and, of course, annually.

Daily, there is a cash statement prepared to keep track of credit utilisation and movement of cash, and any surplus is switched from one branch to another so that we use the cash in one reserve rather than in pockets. Cash forecasting is done on a weekly, monthly and quarterly basis.

Weekly, a detailed statement is prepared of sales, imports and exports, orders booked, executed and outstanding: all compared with last year's actuals and this year's budgeted datum. The weekly report also shows stocks position.

Monthly, we prepare a review of the Corporation, consolidating the weekly statements and adding statements on manpower, detailed notes on the work of the divisions, a general note on the economic background to the STC's operations, news from foreign offices, and usually a brief country note.

Quarterly, we now prepare each quarter's accounts, complete in all respects of balance sheet, profit and loss account and all that the annual report and accounts will normally contain. The quarterly accounts are duly audited by the Chief Internal Auditor, who presents a detailed report direct to the Committee of Management and the Board of Directors. As the quarterly accounts become more refined, reports for the four quarters added together will give us the year's total account.

Apart from giving us a complete picture of Corporation's activities, the Quarterly Report will enable us to close the year early. Annual accounts that used to be closed at the end of September will be closed this year by end of June, and next year, we hope, even sooner. The great advantage of closing the annual accounts early is that our Accounts Division can then get on with the current year's accounting which tends otherwise to be neglected till the Annual Report and Accounts are out of the way.

And let me add that such systems are not just a purism; they have a concrete value. As an example they have led us to a position where while we used to have a credit limit of Rs. 20 crore s for a turnover of Rs. 123 crores, today we rarely need more than Rs. 2 crores at turnover of Rs. 210 crores, and in many weeks we even have surplus cash. Our overdraft consequently came down drastically from Rs. 13.6 crores on 1-4-68 to Rs. 3.7 crores on 1-4-69 to a credit balance of Rs. 1.4 crores on 1-4-70.

While the weekly reporting is sent to all our senior managers, monthly review is sent to Ministry, the Quarterly Accounts are also widely circulated in the press, associates, chambers and our sister undertakings in the public sector. The Planning Commission has recently begun to take interest in them and are going to meet us twice a year to discuss our performance to enable them to know what funds are likely to be generated by our Corporation.

This then is our new Accountability : in concept and in practice. It has a long way to go—to a weekly profit and loss account one day; something that in my previous incarnation used to be placed before me every Tuesday afternoon, with a plus or minus five per cent accuracy over the year, and the annual accounts ready by the third week after the year ended.

But, Accountability, no matter however well conceived and well discharged, can only be means to an end—and the end in our case is a better service.

Government has declared its intentions to channel international trade increasingly through its public corporations, of which your Corporation is one of the leading. But before entrusting it with such heavy responsibility, it has the right to feel assured that it can handle the job efficiently and profitably to serve the larger interest of the State and Industry.

Just over two years ago when the Review Committee was appointed it was asked "to make a review of the trading techniques and methods of the State Trading Corporation and its present organisational structure with a view to take necessary steps for further

strengthening and improving its operational efficiency." We were told that the Corporation had grown rapidly over its life of twelve years and was now faced with new and exacting tasks and some unfamiliar responsibilities: it would therefore be desirable to ensure that it has the capacity to cope. The Review Committee made its recommendations which, I am glad to say, were all accepted. It was from then on the Corporation's task to implement them and accountability was such an attempt.

Over the last year new areas were entrusted to the Corporation, many of them unfamiliar, and over the coming year yet new areas are being and will be entrusted. In face of it, it would be an understandable question to ask how will the Corporation fare in fields where it has no knowledge or experience? This is so with large organisations the world over, whom growth is always posing new challenges of an unfamiliar kind. An enterprising management will make bold to enter new and unfamiliar areas undeterred by its lack of experience, but with the confidence that the way it developed new expertise in the past it will so develop it in the future.

In the face of the new, there will always be some teething troubles and some mistakes made. These will be more easily overcome because the Corporation feels strengthened by the empathy and patience of Government and Industry whom the Corporation seeks to serve. I would therefore like to convey the reassurance that through its reorganisation and renovation the Corporation is now ready to take over new tasks and discharge them well.

STATE TRADING CORPORATION OF INDIA
Chandra Lok, Janpath, New Delhi-1

COMPANY MEETINGS

THE TATA IRON AND STEEL COMPANY LIMITED

Chairman's Statement

The following is the statement of Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company Limited, for the year 1969-70.

TO THE MEMBERS,

The Year's Results

The results of the Company's operations for the past year provide little cause for satisfaction.

2. Although the profit before tax was higher by Rs. 1¼ crores than last year, the profit after tax was slightly lower because lower tax allowances for depreciation and development rebate increased the provision for taxes.

3. There was a further decline in the production of finished steel, to the causes of which I shall refer later in this Statement along with the remedial steps we have taken and are taking.

4. It is no consolation to us to know that the other steel plants in the country have fared even worse than we have during the year, in the case of Durgapur and IISCO mainly because of the continually disturbed labour situation in the unfortunate State of West Bengal. The aggregate output of about 6¼ million ingot tonnes of the major producers represented only an average of 70% of their installed capacity as against 85½% for Jamshedpur.

5. Our profits were adversely affected not only by the loss of production of about 100,000 tonnes of ingots and by its effect on our costs, but also by the continuous rise in costs due to causes beyond our control

Steel Prices

6. Since May 1969, when we submitted our claim to Government for a price increase of Rs. 116 per tonne, our costs have gone up by about Rs. 30 per tonne owing to such causes as and industry-wide interim wage increase, increases in the prices of refractories, in railway freights and excise duties on fuel oil and import duties on spares. These further increases, except in respect of wages, have not been taken into account by Government in announcing, with effect from the 1st January 1970, the price increase of Rs. 75 per tonne which, on our product-mix will come to about Rs. 71 per tonne. This increase, of course, applied to only the last three months of the year.

Inflationary Increases in Costs

7. The loss of production of steel by the industry as a whole, fortunately only a relatively minor one in our case, and the constant increases in costs, attest to the exceptional difficulties met by industry in our country in maintaining full production and controlling costs. The stage has unfortunately not yet been reached in India, as in more advanced countries, where maintaining or increasing production according to plan presents no difficulty, except of course in times of labour strife which in the steel industry abroad is relatively rare. While industries abroad are also plagued by continuous inflationary increases in costs, these are in most countries much less severe than here and can be recovered from increases in prices without the need for prior Government approval, market forces being the determining factor in fixing prices. The following figures of increases in some of our important

items of costs over the last five years reveal the extent to which inflation is hitting Indian industry.

The cost of coking coal has risen by 50%

of limestone by	40%
of spelter by	142%
of refractories by	36%
of stores by	42%

I have every hope that within a year or two we shall be able to re-establish full production, but there are no signs as yet of a stabilisation of prices and costs in our country. With continuing inflation in the country we must expect the increase in price we have been allowed this year to be further eroded by increases in costs, such as a further increase in wages which may be granted at the conclusion of negotiations now in progress for the whole steel industry. These factors will, I hope, be taken into account by those shareholders who may be tempted to make their own calculations of the likely rise in the net profits of the current year resulting from the application of the price increase to the whole year.

Government's Policies

8. Although, our financial position has remained strong in the sense that our debt/equity ratio is exceptionally favourable, the inadequate prices allowed to the steel producers have denied to us the resources to plough back into the renovation and expansion of our facilities, a *sine qua non* of any healthy development whether in the Public or the Private Sector. The Public Sector, however, can, whatever the financial results of its operations. look to Government for additional funds required for modernisation and expansion. The private Sector must rely wholly on its own resources and its capacity to borrow and raise further capital. I regret to say that the steel industry continues to suffer from Government's wholly misconceived and damaging policy of keeping prices earned by the Indian producers below world levels and, at the same time, charging a heavy excise duty of about Rs. 150 per tonne on a product which they and everyone else recognise as being, with power, the key element of industrial development.

World and Indian Steel Supply Position

9. The recession in the demand for steel which prevailed in India two years ago has totally disappeared and India now shares in the present world phenomenon of an acute shortage of steel, particularly in flat rolled products and quality steels. Today, the writing on the wall is only too clear that in the near future there is going to be a severe shortage of all types of steel, which will inevitably restrict the growth of industry, aggravate inflationary trends already rampant in the country, and cost heavily in foreign exchange both in imports of steel that should have been made in India, and in the loss of exports.

10. It is true that Government plan substantially to expand the country's steel capacity in the coming years by the construction of a number of new plants, all in the Public Sector. But this is an extremely slow process particularly in our country. Apart from the long delay involved in formulating and executing a new steel project on a green-field site, each new plant requires entirely new management cadres and labour force, both of which take many years to build into an efficient organisation. The expansion of existing plants is less costly and much easier to effect, usually requiring only a small increase in labour force and practically none in management. While the expansion of the existing Public Sector plants has, for various reasons, been a slow one, no advantage is being taken, in the interests of the country, of the potential of Private Sector plants. A city like Jamshedpur, with its highly developed and experienced managerial and operational skills and large township, could support a much greater rate of production than a mere two million tonnes of steel ingots a year. Thus the country's larger interests are being sacrificed at the altar of ideological dogma.

Decline in Production: Causes and Remedies

11. The decline in production at Jamshedpur has been due to a number of causes, a major one being the inadequacy and irregular quality of iron produced in the blast furnaces. This itself has been due mainly to a lack of uniformity in the composition of the iron ore received from the mines. In the old days, when the output of the ore mines was low, it was possible, through hand picking, to ensure uniformity in the ore supplied to Jamshedpur. This could no longer be done once the mines were totally mechanised. We expect this problem to be solved by the various measures we have taken and are taking to improve the quality and uniformity of the ore fed to the furnaces and particularly by the use of pelletised ore on the completion next year of the pelletising plant at present under construction at Noamundi. Similarly, improvements are planned in the sintering plant at Jamshedpur, which will also help to improve blast furnace operations.

12. Another important reason has been the deterioration in the condition of the older coke oven batteries, as a result of which we have lost not only production of coke but also of coke oven gas, which is used both in the Steel Melting Shops and in reheating furnaces throughout the plant. All coke oven batteries have to be rebuilt once during their useful life of about 12 years, and later replaced by new batteries. Because of the lack of sufficient funds to undertake all the desirable jobs of replacement and modernisation, our programme of rebuilding and replacement of our batteries has been somewhat slow. An accelerated programme of rebuilding and replacement, including the addition of an entirely new battery, has now been undertaken and shortages of coke should no longer be a cause of low production from 1972 onwards.

13. The problem, however, of the high ash content of Indian coal will remain with us and other producers of iron and will always come in the way of obtaining from blast furnaces in India the high output and low coke consumption achieved in other countries.

14. While the programme we have undertaken to improve the quality and uniformity of raw materials fed to the blast furnaces should, within a year or two, re-establish our output of steel upto the rated capacity of the plant, it must not be forgotten that about half of the plant at Jamshedpur dates back to the twenties. Although most of the old units have at some time or other been overhauled, renovated and partly modernised over the years they have reached an age when they are no longer capable of continuous production except with an excessive amount of maintenance. The time has come, therefore, when serious consideration must be given to a long-term programme of replacement with modern units, preferably of larger capacity.

The Need for Modernisation

15. We have during the past year given considerable thought to this major problem and have studied a number of alternative possibilities. We hope to come to final conclusions during the course of the current financial year. Such a project would have to be superimposed on the current programme of improvement to our

raw material supplies as well as on the normal annual replacements and renewals, which are expected to cost a little over Rs. 100 crores spread over the five years beginning with the current year.

16. The long-term project could itself cost anything between Rs. 100 and Rs. 150 crores, depending on the objectives, which themselves will depend on Government policies, and our ability to finance the project. In the kind of free economy that prevails in most democratic countries abroad such decisions would be simple to reach. In India, the power to make such economic decisions rests wholly with Government, both through their all-embracing licensing system and through their monopoly of sources of finance. Only the power *not* to make decisions is nowadays left to the Private Sector.

Proposed Debenture Issue: The Case Against Convertibility

17. One definite assurance I can give shareholders is that while your Directors will always, as in the past, seek to promote the interests of the country; they will not undertake any major programme of capital expenditure, or accept financing terms, which would be unfair to the shareholders. In keeping with this policy, your Directors have not agreed to attach a right of conversion into ordinary shares to a part of the proposed issue of debentures, referred to in the Directors' Report, which financial institutions sought to impose as a condition of their support to the issue. The Board took the stand that, in the light of the Company's remarkably low debt to equity ratio, of the fact that the debenture issue was not intended to finance a large new project but only a continuing programme of replacement and improvement, and of Government's price policy which precluded any appreciable increase in distributable profits out of which the additional dividend on converted debentures could be paid, there was absolutely no case for the issue of convertible debentures at this stage.

18. Furthermore, the suggestion made to us that the right of conversion should be reserved exclusively to the Government financial institutions and not made available to shareholders, was found totally unacceptable. Apart from any consideration of logic and sound financial principle, such a proposal was so unfair to the shareholders, part of whose equity would be transferred to the financial institutions, that the Board could not possibly recommend it to the shareholders. Even if they did, there would have been no chance of its acceptance.

19. A curious sidelight on this matter is the fact that some of the financial institutions concerned are themselves amongst our largest shareholders whose interests as such would be adversely affected for the benefit of others who are not! The institutions are themselves well aware of the financial, legal and technical aspects of the matter, and I hope that the cogent arguments we have placed before them have satisfied them that Government's policy in regard to the right of conversion into ordinary shares of loans advanced by Government financial institutions to the Private Sector was not meant to apply to a case such as this one. If, however, the ultimate decision rests with Government, we can only hope that they too will appreciate the soundness and logic of our arguments. If not, we shall be left with no option but to reduce the magnitude of the debenture issue to such an amount as we can raise from the market without the participation or underwriting support of Government financial institutions. It should be understood, however, that the inevitable result would be to delay the completion of the programme and thus adversely affect the production of steel and therefore the country's interests.

Government Finance in Private Sector Industry

20. I should like to make it clear that I see nothing wrong in Government investing in Private Sector Industry. So long as such investments are made solely in the interest of the institutions making them, they could well be considered as beneficial to shareholders as Government would thus have a direct stake in the company and in its fortunes which were heavily dependant on Government policies and decisions.

21. The case of equity participation by lending institutions stands on a somewhat different footing. Here again, there could be no objection of principle to the lenders seeking to share in the fruits of a project to which their financial support will have made a major contribution. The International Finance Corporation, and other such lending institutions in India and elsewhere, have in some instances asked for and readily obtained rights of participation in equity.

Objectives and Criteria

22. Thus, if Government's objective is that financial institutions should, in appropriate cases and in their own interest, be allowed to participate in the prosperity they have helped to create in a company through their support, no objection could be raised to their seeking such participation as one of the terms of a loan agreement, provided the occasion for it was the formation of a new company or a major expansion or the capital reconstruction of an existing company.

23. If, on the other hand, the purpose is to enable the lender to exercise some control in the operation of the company to which it makes a substantial loan so as to ensure its safety, surely the proper way of achieving it is either by making the loan subject to certain appropriate conditions which would, for instance, require the prior approval of the lender to any major capital expenditure, the launching of a new project, the issue of new capital, etc., or through the appointment of one or two directors on the Board of the company.

24. In those cases in which the lending institutions felt the need to impose certain safeguards, it would probably be against their interests to take shares which would offer them no security, instead of loans which would, and which might even give them a lower return.

25. In cases where participation is sought to be achieved by means of a conversion right attached to a debenture issue, to be exercised at a later date, I suggest the following conditions should apply. The first is that convertibility should be sought only when the debt/equity ratio of the company concerned is considered to be on the high side and needs to be rectified by an injection of fresh equity capital, and when the loan is for a purpose which is expected to increase the profitability of the company and thus enable it to pay dividends on the enlarged capital. The second condition is that any issue of convertible debentures must be offered in the first instance to all equity shareholders. I have no doubt that if such guidelines were issued by Government and the lending institutions were then left free to operate in their interests within those guidelines, there would be little cause for disagreement on either side.

26. I would therefore urge Government to identify and publicly clarify their objectives in this important matter, which has not only created a good deal of worry and suspicion in the minds of investors and management of Private Sector companies, but acts as a disincentive to fresh investment in industry at the very time when Government themselves are worried at the lack of adequate investment for industrial development in the country.

Zamindari Myth

27. The Directors' Report includes a reference to the recent amendment enacted by the Bihar Legislature to the Bihar Land Reforms Act of 1950, with the object of abolishing the so-called "Tata Zamindari" over the 25 square miles or so on which stand the Steel Works, other industrial factories and the city of Jamshedpur itself.

28. I referred to the matter in my Statement two years ago. The action now taken by the Government of Bihar for political reasons under pressure from the Communist Party, on whose support the present Government of Bihar depends for survival, is potentially of such serious consequence to the Steel Company and to the people of Jamshedpur, universally recognised as one of the most beautiful and best administered towns in the country, that I would have liked to have made a full expose of the matter to the shareholders. All I can say, however, at this stage is that it is our firm intention to challenge in Court the validity of the Bihar enactment as soon as it becomes effective, and that the matter is therefore likely to be sub-judice by the time this Statement is published. In the circumstances, it would be improper for me to discuss the matter here and I hope shareholders will understand the necessity for me to maintain silence on the subject.

Labour Relations

29. It is opportune, in reviewing the affairs of the Company's operations in a year which saw a serious outbreak of labour strife at Jamshedpur, to express gratification at the fact that the Steel Company itself and its employees remained totally free from the trouble created elsewhere by selfish men for political purposes. Your Company, directly or indirectly, employs by far the largest number of workers at Jamshedpur. Although they come from every part of India. they are first and foremost citizens of Jamshedpur. To many of them, whose fathers and grandfathers have worked for the Steel Company, Jamshedpur is the only home they have ever known and their job in the Steel Company the only one they have ever had. Unlike the workers in other factories more recently established at Jamshedpur, whose roots are therefore not so deep in its soil, TISCO workers, belonging to many different States, religions and communities, have coalesced into a remarkably stable, mature and responsible industrial community and have maintained a degree of social, industrial and communal peace and harmony unique in the country today. To their everlasting credit, they were responsible for not a single of the 17 million productive man-days lost through industrial conflict in Indian industry last year. Considering happenings elsewhere and the serious loss caused by them to the nation, the employees of the Tata Iron and Steel Company deserve both our and the country's gratitude. I am happy to take this opportunity to assure them that the Company's Directors and Management recognise and appreciate their spirit and good work and will continue to promote and protect their interests. I would like as usual also to thank the management and staff of the Company for the good and hard work they have put in during the year.

End of an Era

30. The year under review ended 62 years of management of the Company by Tata Industries and its predecessors, Tata Sons. It would serve no purpose to discuss once again at this stage the merit of the action taken by Government to abolish an institution which has been the principal instrument of India's industrialisation over a period of nearly a century, nor would it be proper for me, as Director for 44 years and Chairman for 32 years of your erstwhile Managing Agents, to refer to their services to your Company. However, as we look back upon the long and chequered history of the Steel Company and the many arduous years of exploration and preparation undertaken prior to its formation by Jamsetji Tata, his sons and lieutenants, I feel it is fitting that we should pay our tribute to the memory of Dorab Tata, Ratan Tata, R.D. Tata, B.J. Padshah, Nowroji Saklatvala, John Peterson, Ardeshir Dalal and John Matthai. These men are now no more, but in their lifetime played a major role either in bringing the Company into existence near the turn of the century and nursing it through its early vulnerable years, or in saving it from disaster after World War I, and finally in guiding it with devoted care to its present pre-eminent position in Indian Industry. Of the personal recollections I have of the part played by these men in the history of this great national enterprise, perhaps the most characteristic is that they all shared the feeling that in serving the Steel Company they were serving the nation.

31. I am glad that of the old-timers who played an important role in building up the Company, we still have with us Sir Jehangir Ghandy, who served the Company with distinction for fifty years, and whose reappointment as a Director is before you.

32. I consider it a great privilege to have been personally associated with nearly all of these able and dedicated men from whom I learned much and on whose early example and advice I relied when my turn came to assume the Chairmanship of the Company and of its Managing Agents in 1938.

33. Throughout the 32 eventful years which followed, the Company passed through many trials and tribulations, but always continued to maintain the highest traditions of integrity and service to the nation. Those of my colleagues who were concerned with its management and I have received nothing but kindness and courtesy from the shareholders. In taking this opportunity to express our gratitude for all the cooperation extended to us over these many decades, may I assure you that, although Tata Sons and Tata Industries are no longer your Managing Agents, their concern for the welfare of the Steel Company remains undiminished and they will continue to do everything in their power to promote the interests of this great enterprise which they had served for so long.

J.R.D. Tata,
Chairman.

Bombay, 22nd July, 1970.

STRAW PRODUCTS LIMITED

Sales reach new peak of Rs. 72 Million

Higher return essential for growth of Paper Industry

Address of Shri H. S. Singhania, Managing Director at the Thirty-First Annual General Meeting of Straw Products Limited held on 30th July, 1970.

Gentlemen,

I have great pleasure in welcoming you to this Thirty-first Annual General Meeting of Straw Products Limited.

I will like to deal first with a very important development in the management structure resulting from the Government's decision. From the 3rd April, 1970 the Managing Agency system has been abolished. It is appropriate to record the valuable contributions made by J.K. Agents Private Limited, the erstwhile Managing Agents in steering this Company through many vicissitudes during its career and bringing it to the present stature from a modest beginning.

This Company which was established at Bhopal in 1938 with the object of producing "Wealth out of Waste" has now attained maturity. The great strides can well be judged from the fact that the Share Capital of the company today stands at Rs 271 lacs against Rs 7.5 lacs in the beginning. The sale now is Rs 721 lacs against only of Rs 7.9 lacs. The production capacity which was 4,500 tonnes in the beginning is now more than 33,000 tonnes of both the Plants at Bhopal and Jaykaypur. Emloyees now number about 8,000 including those engaged in Forest operations against only 235 in the beginning.

Your company has also a very creditable record of servicing its Capital and efficiently cruising through many difficult periods of its existence, but it has never faltered and has always gone forward from strength to strength.

Company's Performance

I would now like to deal with your Company's performance during the last year. You would have noticed from the audited accounts for the year ended 31st December, 1969 and the Directors' Report circulated to you that the working of the Company has shown good results. The production has gone up to 33,221 tonnes from 31,561 in 1968, the sale has increased to Rs 721 lacs from Rs 620.6 lacs and the Gross Profit is also higher. The quality of the Company's products continues to enjoy reputation of high standard.

The working during current year also is satisfactory and it is hoped that we would finish this year with slightly better results.

The expansion programme is now in full swing and it is expected that one machine will go into operation before the end of this year. The other machine is expected to arrive in early 1971 and it is hoped that the same will be brought into operation before the middle of 1972. Through these additional machines the capacity of the J.K. Paper Mill Unit will be raised to nearly 29,000 tonnes and the total capacity of the Two Units, one at Bhopal and the other at Jaykaypur, together, will be brought to 42,500 tonnes and the Company will be producing some of the finest speciality papers, which are so far being imported.

Except for 3 days of uncalled for strike by workers in early June 1970 at Jaykaypur, labour-management relations had been cordial.

Excise Duty on Board

Imposition of heavy excise duty has continued as deterrent to the sale of straw board. Further, generous slab concessions available to smaller units continues to enable them to undercut the prices unreasonably. Notwithstanding representations, the Government has not taken any steps to reduce the disparity to the detriment of large units.

Paper Industry

Turning specifically to the Paper Industry, it can be said that this industry is at cross roads. The demand has shown signs of outstripping the supply and a psychology of shortage of paper has already developed. The situation for the next few years cannot be envisaged with equanimity.

This is a very important consumer item affecting tens of millions of people in our country. As is well known, the Paper Industry is highly capital intensive. The gestation period in the industry is also very long. Eight long years of control, when unremunerative sale price held sway, has resulted in drying up of internal resources of the industry. During the last 5 years no new scheme has come up because of the abnormally low return on capital. The

Shri H. S. Singhania

return in this Industry on capital employed ranged between 5.5% to 7% against an average of 9% to 10% for all industries.

It is estimated that for a Plant of a capacity of 50,000 tonnes per annum an investment of about Rs 30 Crores will be required, that is, Rs 6,000 per annual tonne. Against this the sale turnover will be only Rs 9 Crores at the present sale prices. Therefore, Gross return on capital employed will have to be adequately raised to enable payment of interest on loans, servicing of share capital, and repayment of long term loans.

In 1959 the Tariff Commission had considered return of 12% on capital employed as fair for the Paper Industry. This includes interest, bonus to employees and reasonable dividend. Rehabilitation which would cost at least 4 to 5 times within a period of 15 to 20 years have to be provided. Unless certain amount of reserve is created after paying heavy taxation, it needs to be considered how can the money be saved for such rehabilitation. This was done when the rate of interest was about 6% and now when the rate of interest is 8½% to 9% on long term loan capital, a return of anything less than 15% to 16% cannot be considered as fair, particularly for a heavy capital intensive industry like Paper having an investment turnover ratio of about 3:1. This return is perhaps the minimum that would be necessary to make new projects viable. Such a return can be ensured in a number of ways viz, increase of prices of paper, reduction in interest charges for long term loans, draw-back of excise duty to be allowed on new production and higher Development Rebate.

When I talk of the raising of prices of paper, I am not unconscious of Consumers' interest at large. In my view, their interest cannot be protected by unrealistic prices of finished goods which affect the growth of production and supplies. Such device is only short-sighted and illusory. Consumers' interest can be served only by continually and timely augmenting production capacity to me

rising demands, because it is only when the demand outstrips supply that the Consumer suffers. Policies which in the name of consumers put obstacles in raising of production must be considered wrong and be discarded.

The Planning Commission in its final Fourth 5-Year Plan recently submitted to the Parliament has visualised the installed capacity of 10 lakh tonnes against its original target of 11.3 lacs tonnes. Further, 1,65,000 tonnes of Newsprint capacity is also planned for installation. The present installed capacity of Newsprint is only 30,000 tonnes and that of Paper and Paper-boards 7.68 lac tonnes. Thus, there is a heavy shortfall of more than 4 lac tonnes to be installed during the Fourth 5-Year Plan. The Paper Industry has long gestation period. Therefore, a part of the increase for the Fifth Plan will have to be brought in the Fourth 5-Year Plan itself. Thus, increase of more than 5,00,000 tonnes of capacity will have to be considered for financial requirements in the next 5 years.

For such an increase in capacity, investment of approximately Rs 350 Crores will be needed. Out of this Rs 60 crores is envisaged to be invested in Public Sector Units. Thus Private Sector would have to mobilise approximately Rs 290 crores. The minimum economic capacity of Paper Plant is about 150 tonnes a day or 50,000 tonnes annually which will cost approximately Rs 30 crores. In view of limitations of raw materials and water, such expansion can invariably take place only at new sites. The Reserves and Cash generation of most of the existing Units would not be sufficient for such an investment, if the Equity Debt Ratio is kept at 1:2 as at present. The Equity Debt Ratio of 1:3 seems to be thus unavoidable. Longer periods of repayment of loans at lower rate of interest would also have to be considered in order to make the projects viable. Need for increasing the production capacity of Paper has assumed such importance that I urge all concerned to deal with the problem with realism and with a sense of urgency.

Environment

Before I conclude, I cannot but talk a little about the environment in which industries have to perform. Unfortunately, at a time when the Country is poised for a real economic take off specially in the background of revolutionary successes in agricultural field and massive investments in basic and machine building industries ready to yield results, we find a crisis of confidence in ourselves. In my view, it is the time to cash in on our efforts and sacrifices of the last two decades. What we need to remember once again is that real social welfare will result not by distributing poverty but by generating wealth. The time available to us is too short to ponder or fonder. Let wealth be generated by all according to their skill and resources and let the cake become large and then distributive justice would be a lot easier to accomplish.

I would like to record our appreciation for the hard work done by the workmen, members of staff and officers and the patronage shown by our customers and above all the shareholders who have helped us to grow and serve the country.

I thank you all for your co-operation and presence here.

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

RUBY GENERAL INSURANCE COMPANY LIMITED

Extracts from the speech by the Chairman, Shri B.P. Khaitan at the 34th Annual General Meeting held on Wednesday, the 29th July, 1970.

The total net premium income of the Company has increased to Rs. 394.92 lacs as compared to Rs. 369.95 lacs in the previous year. The reserves for unexpired risks have increased by Rs. 17.35 lacs and now amount to Rs. 218.63 lacs. The working for the year has resulted in a profit of Rs. 56.89 lacs after writing off Rs. 19.39 lacs as depreciation on investments and land as gainst Rs. 45.57 lacs in the previous year.

The following figures show the progress achieved by the Company during the last decade:—

(In lacs of rupees)

NET PREMIUM	1959	1964	1969
	Rs.	Rs.	Rs.
Fire	57.01	91.41	201.29
Motor & Accident	57.13	97.65	151.29
Marine	20.04	21.92	42.34
Total	134.18	210.98	394.92
Capital & Funds	127.81	202.58	361.02
Profit	4.52	32.50	56.89

The Directors have proposed to increase the dividend from Rs. 1.25 per share to Rs. 1.50 per share inclusive of the interim dividend and the total dividend payment would amount to Rs. 10.50 lacs as compared to Rs. 8.75 lacs in the previous year.

A section of politicians off and on press for nationalisation of General Insurance but it is not appreciated how this will help the national economy. The General Insurance is a servicing industry and the insuring public need prompt attention which a nationalised sector may not be able to offer. The Government spokesmen had very recently announced that there was no advantage in nationalising General Insurance but rumours about nationalisation are again afloat. The Government should make a categorical statement about their policy and remove this uncertainty. In my opinion, Government should give a fair trial to the Social Control measures under the amended Insurance Act before deciding for the nationalisation.

I would also like to refer to the assets of Indian Insurance Companies lying in Burma and Pakistan and feel that early steps should be taken on Governmental level to get these repatriated to India.

There has been some revival of industrial activities in the country. However, the political unstability and disturbed law and order condition in many parts of the country are causing anxiety to all concerned. If we are to solve the increasing problem of unemployment in the country, industrialisation must increase rapidly and production must go on unhampered. All political parties and leaders should give serious thought to the maintenance of peace and stability throughout the country for achieving this aim.

I very much appreciate the continued support of our patrons and thank them for the same. I would also like to sincerely thank our Managing Director, Executives, staff and field-workers for their co-operation and devotion to duty, which have enabled the Company to achieve satisfactory results.

N.B. This is not a record of the proceedings of the Annual General Meeting.

Company Affairs

HINDUSTAN ALUMINIUM

HINDUSTAN ALUMINIUM Corporation Ltd has achieved a noticeable improvement in its operations. Sales for the first half of its current year have risen to Rs 20 crores compared to Rs 16 crores for the corresponding period of the last year. The production during the first six months of the current year has been higher at about 38,000 tonnes. Currently, the company's plant is running at the production level of 6,500 tonnes per month and it hopes to produce in 1970 more than 80,000 tonnes of aluminium against 72,000 tonnes last year. This information was given by Mr B.P. Khaitan, a director of the company, who presided over its extraordinary meeting recently. The information has tended to confirm the feeling of optimism about the company's current working which has imparted fresh strength to its equity shares. The company, which has already been allowed to raise its production capacity from 80,000 tonnes to 120,000 tonnes per year, hopes to receive government's sanction to its proposal for a one-for-four bonus issue. The company has already started negotiations with the EXIM Bank and other financial institutions for loans to finance its expansion programme which is scheduled to be completed by the end of 1972.

INDIAN COPPER CORPORATION

Mr G.D. Kothari, Chairman, Indian Copper Corporation Ltd, informed the shareholders at the annual general meeting held recently that the state of Bihar had sanctioned the grant of a lease to cover the 2.25 square miles areas adjoining the company's existing Mosaboni lease. The company, he added, had been advised to take a lease of an area slightly different from that covered by the former leases in order to be in a position to exploit Surda mine if it persists in depth. During the year 1969, the company's performance approached close to the record performance in 1962 and in terms of production it might have overtaken the previous record production but for the smaller number of days worked during the year. In the electrolytic refinery, Mr G.D. Kothari indicated, the nickel sulphate plant faced some teething troubles but was expected to work better during the current year. The government purchased the bulk of the electrolytic copper produced by the company at a price which was well below world market prices. In spite of recent revision the price is still lower than the MMTC is offering similar imported material on the Indian market. In fixing the prices, the government, he added should recognise that the company has heavy commitments in terms of expansion plans which could be financed by adequate returns from the sale of electrolytic copper, the principal item of production. Mr Kothari indicated that profit during 1969 dropped because of rising costs and wages. He added, however, that it was possible to maintain the dividend because of a substantial reduction in taxation to the extent of Rs 59.50 lakhs.

TELCO

Mr J.R.D. Tata, Chairman, Tata Engineering and Locomotive Co Ltd, hoped that the company would someday be permitted to manufacture passenger cars. He added in a statement issued on the occasion of the annual general meeting of the company, that considerable changes in its manufacturing programme had been brought so as to take up the production of some new products such as tippers, forklifts and dumper placers, developed by the company's research development engineers. The company has utilised its capacity in the production of these items after it stopped the production of steam locomotives in June 1970, on the termination of the company's commitment to the railways.

Mr Tata indicated that the financial results for the year 1969-70 were, however, not very encouraging because a serious setback was registered by the strike which brought the company's operations at Jamshedpur to standstill for 48 days from November 18, 1969, to January 4, 1970. It caused considerable dislocation in the working of the company and the profit before tax at 274 lakhs was less than half that of the previous year, while the disposable profit at Rs 130 lakhs was nearly a crore less than that of last year. In view of this setback the directors considered it necessary to reduce the dividend by one per cent from 14½ per cent maintained for the previous nine years.

Mr Tata also pointed out that the automobile industry was subject to a strong upward pressure in its costs. The prices of raw materials, ancillaries and components which the company purchased mainly from local suppliers, continued to increase rapidly. As an instance he indicated that in 1968-69, when the ratio of net profit to owned funds was 10.1 per cent on an average for all industries, the automobile industry earned nearly 6.6 per cent while manufacturers of automobile ancillaries earned more than 15 per cent. In spite of these heavy increases in prices, the government continued to restrict increases in the sale price of automobiles. He suggested that there should be an all round discipline and increases in wages must also at some stage begin to be related to productivity and prices of ancillary manufacturers should also be controlled.

C.B.I.-TELCO MERGER

The amalgamation of the Central Bank of India Ltd with Telco has been proposed. The boards of both the companies have already approved the scheme which will be implemented after the approval of the shareholders concerned at their meetings to be called under the direction of the Bombay High Court. Under the scheme of amalgamation, with effect from October 1, 1970, the property, rights, powers and liabilities of the Central Bank of India Ltd will be transferred to and vested in Telco. The holder of every 25 shares of CBI Ltd will receive, under the scheme, one ordinary share, three (9 per cent) cumulative redeemable preference shares and 15 (7¾ per cent) convertible debentures of Rs 100 each of Telco. The debentures will be accrued by a a floating charge only on the movable properties of Telco, present and future, subject to all existing charges and hypothecations which shall rank in priority thereto. A holder of every five debentures will be entitled, by giving six months notice to Telco not later than April 1, 1975, to claim one ordinary share of Rs 100 of that company in full payment of 50 per cent of the nominal amount of every five debentures held by him. The remaining 50 per cent will continue to be held as debentures until redeemed at the end of 12 years. The debentures will be redeemed at the option of the company at any time after October 1, 1975, but not later than October 1, 1982. All the securities will rank for dividend or interest from October 1, 1970, and the ordinary and preference shares of Telco to be issued to CBI shareholders will rank in all other respects *pari passu* with existing such shares. The CBI will be entitled to give a dividend to its shareholders not exceeding Rs 3 per share out of the profits made by it for 1969 and for the period January 1 to September 30, 1970.

AMALGAMATED ELECTRICITY

The Amalgamated Electricity Co Ltd has proposed to maintain the equity dividend at 10 per cent for the year ended March 1970. The company has

reported a gross profit of Rs 57.63 lakhs against Rs 46.48 lakhs in the previous year. With the amount brought forward and other adjustments there remains a total of Rs 58.02 lakhs. Depreciation claims Rs 14.57 lakhs, development reserve Rs 10,990, dividend reserve Rs 15.93 lakhs, development rebate reserve Rs 2.60 lakhs, general reserve Rs 3.30 lakhs and taxation Rs 11.26 lakhs. After taking into account provisions for other items, a sum of Rs 2,331 is carried forward against Rs 3,961 brought in. Dividends absorb Rs 15.93 lakhs.

TATA CHEMICALS

For the year ended June 30, 1970, the value of sales (inclusive of excise duty) of all products, subject to final audit and necessary adjustments of Tata Chemicals Ltd was Rs 12.18 crores, exceeding the turnover for the previous year by Rs 43 lakhs (3.7 per cent). Among the company's major products, the output of soda ash during the year at 2,06,829 tonnes was lower by 772 tonnes (0.4 per cent) over the previous year.

STATE BANK

At a meeting of the Central Board of Directors of the State Bank of India held in Bombay recently, it was decided that an interim dividend of Rs 10 per share (subject to deduction of tax) be paid for the year ending December 31, 1970.

SYNTHETICS AND CHEMICALS

The directors of Synthetics and Chemicals Ltd have proposed a maiden dividend of Rs 6 per share for 1969 following a marked improvement in the company's working. With a rise in sales to Rs 13.92 crores from Rs 12.10 crores, the company's gross profit has risen to Rs 3.43 crores from Rs 2.16 crores. Out of the gross profit, depreciation claims Rs 1.26 crores and development rebate reserve Rs 37.50 lakhs, leaving a surplus of Rs 1.79 crores against Rs 83 lakhs. After wiping off the loss of Rs 26 lakhs brought in and after adjustments, the directors have transferred a sum of Rs 1.29 crores to the general reserve out of which the proposed dividend amounting to Rs 34.48 lakhs will be paid. The production of synthetic rubber amounted to 24,590 tonnes against 25,189 tonnes and the sales to 26,170 tonnes against 22,767 tonnes.

PAYMENT TO KILACHAND

A notice of motion taken out by the Firestone Tire and Rubber Company, USA, against Mr R.R. Ruia, Mr S.L. Kirloskar and Dr R.C. Cooper and Mr K.B. Dhabke, directors and secretary of Synthetics & Chemicals Limited, and Mr Tulsidas Kilachand, Mr Ramdas Kilachand and Mr J.B. Shukla, directors and secretary of Kilachand Devchand and Company Private Limited was dismissed with costs by Mr Justice Tulzapurkar at the Bombay High Court on July 28. Firestone took out a notice of motion on July 10, 1970, making charges of contempt of court for making payment to Kilachand Devchand the actual expenses for the month of April 1970 and alleging that this payment was in breach of the interim order of Mr Justice Madon and, therefore, constituted contempt of court. Firestones also sought an injunction restraining Synthetics from making any further payments by way of commission or otherwise to Kilachand Devchand. After hearing the parties, the judge held that no breach had been committed of the order of Mr Justice Madon and that there was, therefore, no contempt of court in making payments under the interim arrangements. The prayer for injunctions was also rejected.

NAGPAL AMBADI

Nagpal Ambadi Petro-Chem Refining Ltd has made substantial progress in the implementation of its Rs 5.20-crore petrochemical project. The delivery of the indigenous equipment has already begun and is expected to be completed by the end of September. Since major contracts for equipment were entered into last year, the company has escaped the effects of the recent increase in steel prices. The imported equipment is expected to arrive by the end of the current year. The production of transformer oil, constituting the first phase of the project, will begin in January 1971 and of speciality oils in June 1971. The rated capacity is expected to be achieved soon thereafter.

MYSORE POWER CORPORATION

A public sector company, the Mysore Power Corporation Limited was incorporated in Bangalore on July 20, 1970, with an authorised equity capital of Rs 12 crores. The principal object of the company is to undertake power generation projects in the state of Mysore.

Mr Veerendra Patil, Chief Minister of Mysore, has been appointed the Chairman of the company and Mr P.R. Nayak, the Managing Director. In the first instance, the company will execute the Kalinadi hydro-electric project. The Kalinadi is a major river of Mysore state flowing west from its origin in the western Ghats in north Canara district into the Arabian Sea near Karwar after draining an area of 1870 sq. miles. The valley has a power potential of about 13 lakhs Kw which is nearly one-fourth of the total hydropower potential of the state. The total investment for tapping all this power would be of the order of Rs 240 crores but as much as 10 lakh Kw could be installed with a capital investment of around Rs 120 crores. The valley lends itself to development in stages through the construction of a series of reservoirs and power stations. Thorough investigations — topographical, hydrological and geological — have already been made.

PRESTOLITE

The working of Prestolite of India Ltd during 1969 has resulted in a gross profit of Rs 7.02 lakhs. Sales have risen to Rs 80.31 lakhs from Rs 60.93 lakhs. Allocations include depreciation Rs 2.93 lakhs and development rebate reserve Rs 2.59 lakhs. The net profit works out at Rs 1.49 lakhs, which has been carried forward. Last year's brought in loss of Rs 97,810 had been adjusted. Sales in the current year are expected to increase further and the directors hope that the company will show better results this year.

STATE TRADING CORPORATION

Mr P.L. Tandon, Chairman of the State Trading Corporation, announced at the annual general meeting of the corporation recently that the corporation was issuing Rs 2 crores worth of bonus shares and intended to issue another Rs 2 crores worth of bonus shares next year. Only last year, the STC issued bonus shares worth Rs 3 crores. Thus, as against an equity capital of only Rs 2 crores in 1968, bonus issue had raised the figure to Rs 5 crores last year and again to Rs 7 crores now. The intended issue of bonus shares next year will raise the equity capital of the STC to Rs 9 crores. During 1969-70, STC finished with a profit (before tax) of Rs 12.4 crores against Rs 7 crores originally anticipated in the performance budget. Compared with the performance budget for the year, STC exceeded the sales target and cut its costs from an anticipated Rs 5 crores to Rs 4.7 crores, reduced manpower requirements from 1959 to 1831 and increased its sale-per-employee ratio of gross profits to sales from an estimated 3.1 per cent to 5.9 per cent. Mr Tandon pointed out that the turnover of the corporation had increased to Rs 211 crores from Rs 167 crores a year before. Profit before tax had risen to Rs 12.7 crores, and capital plus reserves had gone up to Rs 17 crores. The corporation's expenditure has been cut by 11 per cent—an admirable performance.

UNIT TRUST

The Unit Trust of India has raised the sale price of units with effect from August 1, to Rs 10.60 per unit from the special price of Rs 10.50 prevalent during July. The repurchase price has been fixed at Rs 10.20 per unit.

BOOKS BRIEFLY

The Economics of Agriculture

The Economics of Agricultural Development: John W. Mellor; Vora & Co. Publishers Private Ltd; Bombay; Pp. 403; Price Rs 12.

Human Problems of Shift Work: Shri Ram Centre for Industrial Relations, New Delhi; 1970; Pp. 247; Price Rs 28.

Metric Change in India: Edited by Lal C. Verman and Jainath Kaul; Indian Standards Institution, New Delhi; Pp. 529; Price Rs 60 ($15, £6).

History of Economic Thought: S.K. Srivastava; S. Chand & Company, Delhi; 1970; Pp. 680; Price Rs 16.

Problems of Economic Transition—Indian Case Study: Ranajit Das Gupta; National Publishers, Calcutta; 1970; Pp. 416; Price Rs 25.

The New Role of Reserve Bank in India's Economic Development: Manubhai Shah; Vora & Co., Publishers Private Ltd, Bombay; 1970; Pp. 142; Price Rs 12.

Reviewed by Prof S.S.M. DESAI

There is always the danger of either under-emphasizing or overemphasizing agriculture which is the major sector in most low-income countries. *The Economics of Agricultural Development* attempts a middle course between "industrial fundamentalism" and "agricultural fundamentalism."

The capital requirements for economic development are enormous. Capital is required not only for dynamising agriculture but also for direct creation of non-farm jobs and also for a vast array of supportive facilities from basic power to higher education. Agriculture can play a very vital role in this capital formation. Whereas the landless agricultural labour and persons with very small land holdings may in fact be on the margin of subsistence, a substantial proportion of income in rural areas is in the hands of persons whose income is well above the average. Substantial aggregate capacity for capital contributions lies with these people.

Rural Sector Contribution

According to the author the contribution of the rural sector to capital formation can be mobilised in four ways. It may be extracted by the government through the medium of taxes. Agricultural production may be increased sufficiently to bring about a relative decline in agricultural prices and thereby favouring increased profits in the non-farm sector with consequent favourable effects on savings and investment in that sector. Agriculture may form capital directly in its own sector and minimize its demand for capital from other sectors. Finally, agriculturists may invest directly in other sectors.

The author has put forward certain suggestions in regard to agricultural taxation. According to him increased taxation on a static level of production is more onerous than increased taxation on a rising rural income base. Also, taxation for local purposes will generally be considered less onerous than taxation for some distant national purposes. Similarly, taxation of unemployed resources is more platable than taxation of existing income. Taxes in low-income countries must be easily administered, since in such countries administrative structures are frail and trained personnel scare. Taxing authorities in India need to take note of the above observations on agricultural taxation which has become unpalatable on grounds of political expediency.

Important Chapter

Chapter on 'Prices and Price Policy' is the most important chapter in part II of the book. The relative level of agricultural prices influences the allocation of productive resources and hence the level and pattern of agricultural production. Price relationships affect relative profitability and economic incentives. The author here discusses prices and price policy within the context of a traditional agriculture, while in part III, the author analyses price policy in the dynamic setting of agricultural development. The author feels that in conjunction with other policies which increase productivity of resources, price policy has an important role to play in modernising agriculture.

Part III deals with the problems of modernization of agriculture. It is obvious that a dynamic contribution to economic development from the agricultural sector and significant improvement in rural welfare depend upon the modernization of agriculture through technological changes. The author has dealt very ably with the various aspects of modernization of agriculture such as low and high capital technology, economizing and allocation of resources, education and other inputs, research, finance and marketing. As regards economic incentives to production, the author has emphasised that increased agricultural production requires positive incentives to farmers and a positive response on the part of farmers to those incentives. An important motivation to change is the expectation on the part of the innovator that he will himself participate in the net increase in wealth which accompanies successful innovation. It is against this background that the author examines in detail the problems of land tenure systems.

Education, in particular, plays a very critical role in that nearly all elements of the development complex are based on improvements in the agricultural labour force which are in turn the product of education. In India, agricultural development programmes have foundered because they were ill-conceived mainly due to lack of adequate training and education of planners. Even if development plans are well conceived, they often fail in execution for lack of personnel with requisite skill and training. Mellor has outlined a plan of education for farmers, for those serving the farmers locally and for those serving the farmers centrally.

Planning for Development

The author ends the book with a chapter on planning agricultural development. According to him, planning makes a positive contribution only if it causes the objectives aimed at to be achieved more rapidly and more efficiently than if development followed natural forces. He warns that planning carried on with an incorrect view of agricultural development and with inadequate or incorrect information is likely to give no better and possibly poorer results than an unplanned approach.

The book includes very few specific recommendations for agricultural development. It rather emphasises the basis on which decisions may be made. The variability in physical, economic, political and cultural forces prevents the rendering of sweeping advice and increases the need to tailor programmes to specific conditions.

Within the small compass of about 400 pages, J.W. Mellor has packed material on agricultural development that is more than adequate for the common reader who is interested in agricultural development in particular and economic development in general. Vora and Company have rendered a great service by bringing out this cheap Indian reprint of the book.

PROBLEMS OF SHIFT WORK

'Shift work' is an indispensable associate of industrial activity. The

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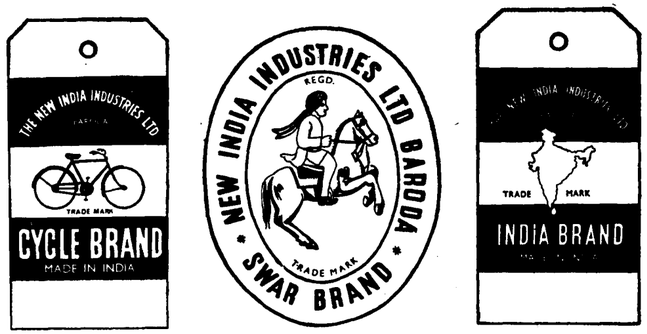

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technological requirements and economic considerations force industrial plants to introduce shift work and require workers to adjust to it. This process of human adjustment to changing working hours naturally creates many problems for the industrial labour.

India is undergoing rapid industrialisation. A large number of new workers are being attracted to and absorbed into industrial occupations and put under shift work. It is therefore necessary that the human aspects of work schedules be investigated. Such studies will help proper appreciation of the socio-psychological problems involved in work scheduling, provide bases for realistic time schedules in work-planning and promote industrial health programmes in the country.

Basis for Study

The study on which *Human Problems of Shift Work* is based was conducted at three factories in the Delhi area — an engineering workshop engaged in high precision jobs, a chemical-cum-engineering plant and a factory manufacturing glow lamps. The sample for the study comprised 198 production workers. It would be instructive to study the findings and the policy implications of this study.

One of the salient findings of this study is that about 30 per cent of the respondents expressed liking for the rotating shift system — i e. work during morning, evening and night in rotation at stated intervals. This appears to contradict the commonly held belief that workers in general do not like rotating shift system. Of course, additional financial incentive might be a factor in creating a favourable disposition towards shift work. However, it is established that working in a rotating shift tends to make it difficult for the employees to perform certain family and social roles. The study also brings out that the mere fact of being on a particular shift (permanent day shift or rotating shift) *per se* does not lead to high anxiety or conflict pressure. Another finding is that respondents hailing from urban regions as against rural areas reported less difficulty in their adjusting to shift schedule. Similarly, older respondents with higher levels of income and also with larger families, showed less conflict pressure than those who were younger in age, had lower earnings and also had smaller families. The study further brought out that the dislike for the rotating shift system was mainly due to the adjustment problems and not because of a neurotic tendency or job dissatisfaction among workers. And finally, it was noticed that among the rotating shift workers, those who liked the rotating shift system were also most productive during night shift, whereas those who disliked the rotating shifts were most productive during the day shift. However, this trend does not come out conclusively in this study. As a fact no trends are evident in regard to the output variations over the different shifts.

Equally significant and useful are the the policy implications which flow for management policies from the above findings. It may be noted that the rotating system *per se* is neither harmful to the mental health of workers nor disliked by them. Workers' mental health is affected only when they perceive that their work schedule interferes with their family and social activities. Policies need to be developed whereby, on the one hand, workers' perceptions are sought to be changed in favour of shift work and, on the other, they are helped to perform their social and other activities in a manner that is more satisfactory to them. Also, if the shift system is so devised that the frequency of changes in the work schedule is less and the duration of shifts longer, such a system is likely to be less disruptive of the social and biological rhythms of workers.

Counsellor's Role

A worker's belief that it is strenuous to work in a rotating shift system may come to be based on no more than a casually heard remark from some one he knows. It is in this context that the role of a counsellor becomes important. The counsellor should try to break through this resistance to shift work. He should help the worker to reorganise the various social roles of the worker that are seemingly or actually interfered with by the shift system. Where this difficulty is found to be genuine, the counsellor might have to work with management to assist the worker through modification in his work schedule or by providing other supporting services. In extreme cases, the counsellor may have to get a replacement for the affected worker.

The results of the present study have obvious implications regarding the merit of paying compensation for the inconvenience and hardships caused by rotating shift work. The introduction of shift premiums in the form of inconvenience payments needs serious consideration on the part of managements. In many countries, workers on the night shift receive a shift premium which varies from 16 to 20 per cent of the basic wage. Rotating shift work also involves some additional expenses for the workers on items such as food, lighting and travel and as such special remuneration for such shift work is all the more justified. The findings of the present study strongly justify the immediate implementation of the ILO recommendation concerning shift allowance.

It is also suggested that special attention be paid to upgrading the quality of work environment on shop floors during the night as that is often neglected. More rest pauses as well as shortening of working hours may also be provided as they may not be accompanied by any fall in production. In many western countries, in recognition of the hardships created by shift system, workers on night shift are provided with special facilities such as transport facilities, preference in company housing, snacks and free drinks. All of these measures are designed to influence favourably workers' perception of rotating shifts. In India also measures along the above lines are likely to create favourable climate among workers for night shift.

Since India has launched upon a programme of rapid industrialisation, the fact remains that we are likely to see more rather than less of shift work in Indian industries hereafter. At the same time very little is known about the human and managerial problems that shift work creates, barring a few general notions that have hardly any relevance for practical policies. This study has made a pioneering attempt to analyse some of those problems.

As the human motivation and behaviour are very complex and defy rigid generalisation, the findings of the study may be taken as only suggestive and not conclusive. Since the shift work appears to be inevitable, shift worker must be understood more thoroughly. Much research, therefore, is needed before any crystallisation of the image of a typical shift worker take place. With all the limitations, this pioneering work in that direction is therefore welcome and would be found useful for formulating labour policy and legislation with regard to shift work.

THE METRIC SYSTEM

Metric Change In India gives an authoritative description of the various developments leading up to the metric change-over in India and the decade that followed. The authors — scientists, engineers, administrators and educationists — who tell this instructive story of one of the significant achievements of free India are all persons with intimate knowledge and wide practical experience of the programme of metric change in their respective fields of specialization.

In the very first essay Lal C. Verman explains the bewildering international background with different systems of weights and measures against which the

metric system was developed during the closing decade of the 18th century by a French team of scientists led by Delambre and Lavoisier and how gradually by 1968 more than 40 states signed the Metric Convention.

Verman, -Kaul and R.C.S. Sarkar have traced the history of metric debate in India. Though the country surely needed standardisation and unification of weights and measures because of the bewildering variety and resulting confusion and inconvenience that prevailed exposing the average citizen to unfair and continuous exploitation, it is strange that it was only in 1955 that official attention turned seriously to the question of the adoption of the metric system. The authors have given an exhaustive account of the developments which ultimately resulted into this acceptance.

Major Difficulties

M.K. Venkataraman in his article has drawn attention to some of the difficulties such as difficulties of conversion, some loss in payments as well as receipts when two sets of coins were in circulation and long queues at different counters, encountered in introducing the metric system in India. The introduction of decimal currency caused mild irritation and some incovenience to the common man though they were never such as to dislocate business to any noticeable extent in any part of the country. K.V. Venkatachalam has analysed the strategy adopted in India for the change-over.

The Standards of Weights and Measures Act, 1956, had stipulated a period of ten years for the change-over to the metric system. It speakes volumes for the strategy planned that the work of change-over was completed well ahead of the schedule. A silent revolution in a vital field has been brought about through a policy of persuasion and understanding. It must however be mentioned that to derive full benefits of the metric system, it is necessary that in the area of industrial production also the system is adopted in complete supersession of the old system still in vogue. The movement for the change-over in this field is now gathering momentum, though such a complete change-over is bound to take some more time due to many complexities involved in the process.

Problems of publicity and enforcement have been dealt well by L.R. Nair and K.S. Sriniwas. This will be found to be extremely illuminating and instructive to other backward countries intending to adopt the metric system. P.N. Nayar and S.K. Sen have fairly exhaustively analysed the problems of standardisation in the industrial field where there was quite a chaos with numerous systems of weights and measures. Not only a hundred different seer weights and more were in use, but often a variety of weights was employed in the same market and different weights for different commodities. Their conversion into the metric weights which was a stupendous task was achieved without much hardship in different industries such as cotton textiles, iron and steel, metal containers, petroleum products, paper and printing, etc., etc. Though from the point of international relations, uniformity of industrial standards between India and the other metric countries was of obvious importance, some strong arguments against the above approach were voiced from many quarters particularly for financial considerations.

It was pointed out that the change in industry meant a series of changes starting from the design table and ending with the finished product. Apart from the cost of changing designs, measuring instruments, jigs, fixtures and tools, India could hardly produce the manpower required to carry out the necessary change. There was however no way out and a compromise solution was adopted to solve the transitional problems which are bound to continue in the industrial field for some time to come. Adoption of the metric system by the Indian Railways involves stupendous problems. Such a transition involves revision of local manuals and rescheduling of rates. It involves redesigning of plans of bridges, building structures and fittings. It means procurement of metric measuring equipment to replace the existing ones. It means introduction of markings in metric units of distances and other particulars of description boards of bridges, tunnels, tanks, etc. S.L. Kumar has well brought out the immensity of the problems of transition to metric units in Indian Railways.

The same was true in the case of the post, telegraph and telephone services in the country where the transition for all practical purposes has been completed. The problems of transition to the metric system in mechanical engineering industries comprising of thousands of types of machines which are all expressed in traditional units of measurements, in construction industries, in survey and land records, in education (primary, secondary and higher) and in official statistics which have all been maintained in traditional ways, in tariffs, meteorology and roads, shipping and civil aviation have all been lucidly analysed by experts in their respective fields.

Discussing the tasks ahead, L.C. Verman and V.B. Mainkar point out that India is also attending to other matters directed to the strengthening and integration of the weights and measures administration and promoting the de-

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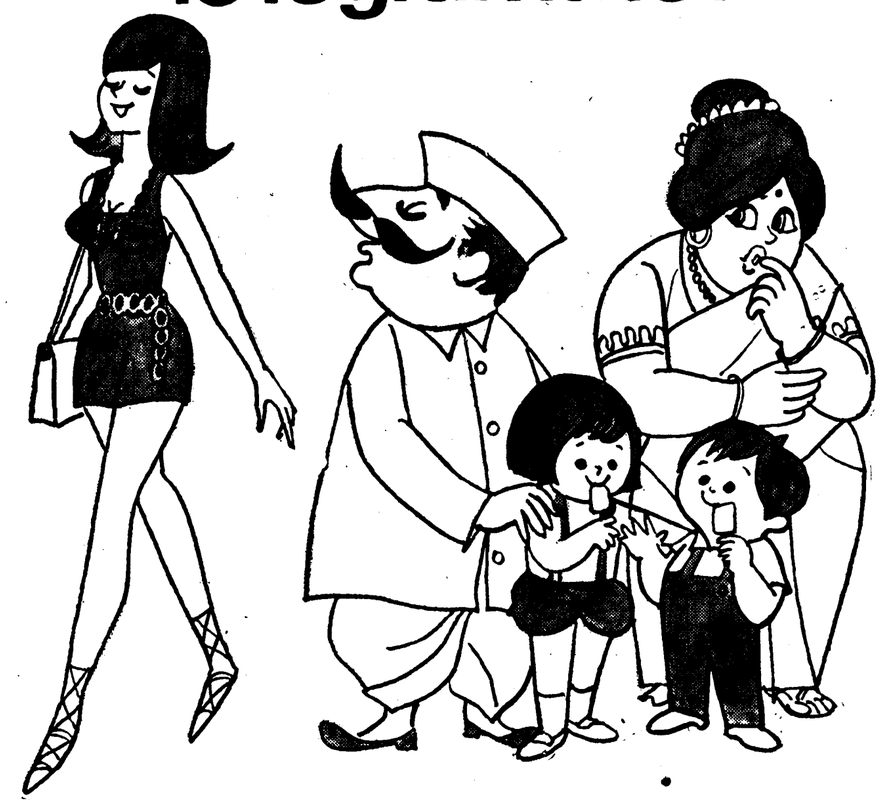

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AIR-INDIA

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velopment of scientific metrology to meet the growing and complex needs of modern technology. The claim of the authors that the common man has proved to be extremely receptive to the new idea and has exhibited an extraordinary degree of understanding, both of the need for the change and also of what it implied for him personally, is disputable. It would be more correct to say that it was due to the traditional passivity and indifference on the part of the majority of Indians that the trouble did not occur.

But the argument put forward, elsewhere, that it was necessary to bring about this vital change at this juncture (1956) when India was just on the threshold of industralisation, though the change-over would mean diverting vital resources for this purposes, appears sound. Such a transition after substantial progress in industrialisation in India would have only made the change-over more difficult and costly.

The book contains a fund of valuable information and first hand account of historical, legislative, educational and other aspects of this bold and imaginative experiment to change-over to the metric system. But the book though well-produced suffers from one defect. Many authors cover the same ground again and again, and though in such collection of articles by numerous writers certain amount of repetition is inevitable, it is nonetheless exasperating. The defect could have been avoided by better planning of the book. And yet the book describing the Indian experience would be of great value to other developing as well as advanced countries involved or going to be involved in such an enterprise of change-over from traditional to the metric system of weights and measures.

ECONOMIC THOUGHT

History of Economic Thought was first published in 1961. The material in this third edition has been thoroughly revised, expanded and brought up-to-date to make the study of the subject more comprehensive and useful to the students. The study of the development of economic thought from the ancient times to the present day is an essential part of a systematic and comprehensive study of the science of economics. There is no dearth of standard works on the subject by foreign authors. But they have their shortcomings. Some deal with only some specific period and some others from only specific angles. Besides, these foreign authors rarely deal with Indian economic thought which has been included in the syllabi of many Indian universities for B.A. and M.A. courses.

To facilitate the study of such a vast subject, the book has been divided into five parts: pre-scientific economic thought, development of the English classical thought, development of socialism, modern economics and economic thought in India.

The author has succeeded well in presenting succinctly not only the ancient economic ideas of the Greeks and the Romans, the medieval economic thought and the ideas of the classical economists like Adam Smith, Malthurs, Ricardo and J.S. Mill, but also contribution of Alfred Marshall, Pigou and Keynes. The brief critical evaluations of the economic ideas of all these thinkers will be found very useful. Part V of the book traces the development of economic thought in India. The author has analysed the economic ideas of Indian stalwarts like Dadabhai Nawroji, M.G. Ranade, D.E. Wacha, R.C. Datta, G.K. Gokhale, V.G. Kale, Brij Narain, K.T. Shah, Radhakamal Mukerjee, Gyan Chand, C.N. Vakil, J.K. Mehta, D.R. Gadgil, V.K.R.V. Rao and some others.

Emphasis on Decentralisation

The chapter on "Gandhian Economics" with its emphasis on decentralisation, regeneration of villages, doctrine of trusteeship, village industries and khadi, and sarvodaya programme is particularly illuminating. The author has given a good comparison of Gandhian economics and the Marxian system. This part V of the book critically describing the development of the Indian economic thought from ancient times to the present day appears to be the special feature of the book.

The task of painting on such a vast canvas is extremely difficult. When one has to deal with hundreds of economic thinkers belonging to different ages, schools and countries, one is more often than not likely to fall into numerous pitfalls. Essential details may be missed and the overall picture may become blurred. Co-ordination of different trends of thought may not be effected and the reader may find himself in a position of suspended animation. One may become too much subjective, unconsciously though, in one's critical estimate of an author who belongs to opposite school of thinking and may therefore not achieve that academic objectivity which is an essential part of such historical writings. The fear of one losing the sense of proportions and distorting the whole picture is also very great. One may neglect the historical background and therefore wrongly lacking the stupendous intellectual ability, imagination, historical sense and critical faculty required for dealing satisfactorily with such a vast subject, one is likely to be vague and superficial. The task which Dr Srivastava has undertaken is so vast and complex that it is no censure of him to say that he has been prone to all the above defects. On the contrary, to have undertaken this ambitions forbidding task and to have committed fewer mistakes when more would have been permissible is to deserve a compliment.

PROBLEMS OF TRANSITION

In *Problems of Economic Transition*, Ranajit Das Gupta has made an attempt to investigate the complex process of economic modernisation of the Indian economy. The book attempts to analyse both general problems such as the nature and problems of economic transition in India since independence as well as particular problems such as the specific characteristics of the transition in India from a pre-capitalist, colonial economy, the development of capitalist relations, the emergence and growth of the Indian capitalist class, the nature and impact of state intervention in Indian economy, the obstacles to industrial revolution, the extent and strength of the survivals of feudalism and the role of foreign monopoly capitalism. On the basis of this analysis the author attempts to show the direction in which India is moving.

The author is firmly convinced that the Marxist-Leninist approach is highly useful in providing fresh and significant insight into the process of economic changes in India and its consequences. He is firmly convinced that Marx's 'two paths' of transition to capitalism gives a very fruitful conceptual tool for properly analysing and understanding the above problems of Indian economy. Following this approach, the author seeks to explain how political developments help to shape economic phenomena and how they in turn are influenced by economic developments. The author emphasises the interplay between economics and politics.

In India transition from pre-capitalist, pre-industrial society to capitalism and industrialism is not yet complete. India is still in the stage of transition. The author raises some questions such as: What are the specific features of capitalist development in India? Along what particular path has the development been proceeding? Are the present difficulties and contradictions connected in any way with the specific path along which capitalist development has been taking place in India? Has Marx's concept of two paths of capitalist development any relevance in the Indian context?

About 'two paths', Marx writes: "The transition from the feudal mode of production is two-fold. The producer becomes merchant and capitalist... This is the really revolutionary path.. Or else, the merchant establishes direct sway over production. However much this serves historically as a stepping stone.. it cannot by itself contribute to the over-throw of the old mode of production, but tends rather to preserve and retain its precondition... This system presents everywhere an obstacle to the real capitalist mode of production... Without revolutionising the mode of production, it only worsens the condition of direct producers, turns them into mere wage-workers and proletarians under conditions worse than those under the immediate control of capital, and appropriates their surplus labour on the basis of old mode of production." According to the author, the first path is illustrated by the path of development followed by England and France where bourgeois revolution, capitalist development and economic surgeforward had as their basis the class of free and independent peasants and the class of small and middle-class commodity producers.

The Second Path

On the other hand, in Germany, Japan, Russia and Italy capitalist development took place along the second path. In these countries the class of free and independent peasants and petty commodity producers and middle-class burghers were underdeveloped and various aspects of pre-capitalist land property survived. Thus, in all these countries, capitalism was created on the basis of fusion and alliance rather than conflict with pre-capitalist forms of appropriation of surplus-labour and under the control of highly paternalistic despotic regimes exemplifying a process of transformation of merchant capital into industrial capital.

The possibility of capitalist development in India along the first path, which according to the author is the revolutionary path, was permanently sealed firstly by the devastating ruination of petty producers, particularly the urban artisans and craftsmen, at the close of 18th century and the first half of the 19th century, brought about by colonial, commercial and industrial policies of Great Britain, and secondly by the annihilation of the traditional rights and interests of the peasant producers and tying them up to the modes of semi-feudal exploitation as well as mercantile-usurious exploitation. Thus, India has been following the second path of transformation combining the new modes of production with semi-feudal practices and institutions. In consequence, according to the author, the transformation of merchants and money-lenders into production-oriented capitalist entrepreneurs has been only partial and incomplete and plough-back rate of surplus generated in the industrial sector has remained low. Consequently, industrial development on a broad front accompanied by technological advance has failed to take place in India.

According to the author, it is this adoption of the second path which has created the complex problems of transition and has retarded economic growth of India. Thus, analysing the land reforms, the author feels that instead of converting cultivating peasants into owners of lands, the land reforms still permit the existence of concentration of landownership, functionless absentee landlordism, extensive tenancy of feudal category and rack-renting. The same applies, according to the author, to the industrial field where instead of the the first and revolutionary path, Indian policy, following the second path, still permits concentration of production in a few hands, etc., etc. The author has attributed every conceivable difficulty which India is facing at the present to her adoption of the second path of capitalist development.

Since the author unhesitatingly believes in Marx's 'two paths' of transition to capitalism, his dogmatic approach does not allow him to view any Indian developments in their proper perspective and in a comprehensive way. To maintain that England followed the first path of capitalist development is to misread and to distort English economic history. Social phenomena and changes are too complex to be properly analysed and understood by such mechanistic approach. What Das Gupta has therefore done is to distort history and make the facts of history forcibly fit into his accepted notions of development. The thesis that could have been put forward in a small monograph has been lengthened into a book of more than 400 pages with repetitions that bore and with novel interpretations of Indian developments that appear to average Indian readers strange and incomprehensible. When one completes the reading of this book, one instinctively remembers what Eric Roll wrote about Marx: "Marx left behind an irrational and, indeed, an anti-rational legacy."

BANKING AT CROSS-ROADS

With the nationalisation of 14 major commercial banks, it may well be said that Indian banking stands at the cross-roads today. People have come to expect so much from the nationalised banks that one becomes sceptical as to whether the banks have been well-equipped to cope with the new demands and meet the new challenges made upon them. In their efforts to adjust themselves to these dynamic times and conditions, they will naturally have to depend upon valuable advice and guidance from the Reserve Bank of India, which as the central bank of the country, has the duty to evolve and execute a sound monetary and credit policy and help maintain a stable and efficient banking system in the country. There could not have been a more opportune time than this for the book *The New Role of Reserve Bank in India's Economic Development* to appear and possibly there could not have been a better person than Mr Manubhai Shah, a former Commerce Minister and a very critical student of the Indian economy to undertake this task. As the author states, "in a world of constant change, an occasional re-look will pay ample dividends." With this view, the author has tried to analyse and evaluate the working of the Reserve Bank of India and to suggest certain changes which would improve its functioning in the changing conditions of our times.

Disappointing Factor

The author is firmly convinced that a crop of outgrowth has impeded the efficient functioning of the Reserve Bank of India. Shah is much disappointed by the extreme fragility of the existing structure of the Reserve Bank which has cramped its style of functioning as the watch-dog of the country's credit and monetary policies, its ineffectiveness as a maker of those policies, its inadequacy in the field of foreign exchange management and its failure in maintaining a long-term price stability for the economy. The author emphatically insists that the Reserve Bank concentrate its attention only on its primary and basic functions, namely (i) evolution and execution of credit and monetary policies of the country; (ii) the management of public borrowings and public debt; (iii) the management of foreign borrowings and foreign debts; (iv) the control and management of foreign exchange and (v) the supervisory task as the watch-dog of all lending and developmental financing institutions.

What has happened is that in the process of its historical growth, the Reserve Bank of India has become a repository and a dumping ground of too many promotional and developmental functions. Inevitably this has deflected its thinking and energies away from the main objectives. Nobody seems to be aware that continuation of such an arrangement adversely affects both the management of money and credit on the one hand, and developmental functions on the other.

The policy implication of this analy-

sis of the author is that the earlier the specialised developmental functions are separated out and entrusted to specially constituted institutions, better will it be for the nation's economy. The developmental activities will then gain momentum, and simultaneously the Reserve Bank for its part will be able to function far more effectively in its primary role as manager of money and credit policies.

That it has not been doing so at the present is obvious. Thus, the most important factor that accelerates the process of economic development is the co-ordinated function of mobilising savings and rationalising credit inputs. But this function is today receiving a secondary place. All the floatations of securities, bonds and loans and tapping of small savings have become more or less a ritual for merely filling up the scrips for the formal annual and periodical borrowings for banks and financial institutions. Diverse modern methods of tapping local and regional resources are practically non-existent. There is no real work done in the matter of educating public opinion in this matter and in attracting and tapping more and more resources from the public. The author rightly feels that all these objectives can be achieved effectively only if instead of working as an over-grown and ill-assorted conglomerate, the functioning of the Reserve Bank of India is rationalised for effective specialisation in its primary functions.

As a corollary, Manubhai Shah has recommended the creation of a number of specialised developmental financial institutions which are to function under the overall supervision and guidance of the Reserve Bank of India. There is to be the National Agricultural and Co-operative Bank which is to be in full charge, directly and indirectly, through the state co-operative banks, land mortgage banks and nationalised banks, of agricultural finance. There is to be Industrial Development Bank of India to give medium and long-term loans to industries, to underwrite and subscribe to shares and debentures, to extend guarantees to Indian and foreign parties and thus to be in-charge of finance to large-scale industries in the country. There is to be Unit Trust of India with five or six autonomous branches to serve different regions. Export Bank of India is to stimulate India's export trade through its credit and guarantee operations. National Credit Guarantee Fund is to be established for the purpose of executing co-ordinated pattern of guarantees as well as counter-guarantees for all types of loans and credits. And there is to be Banking Co-ordination Committee to co-ordinate the functions and functioning of all the above institutions, to ensure that the credit system as a whole works on a systematic and rational basis in accordance with the Plan priorities and within the overall frame of the government policies.

The scheme envisaged is aimed at putting the whole credit system on a rational basis. The Reserve Bank will be relieved of a number of responsibilities and be able to function more appropriately as the central bank. At the same time, the credit requirements of different sectors such as small and large industries, agriculture and export will be studied, planned and met adequately by different specialised institutions.

The book may not appeal to the academicians and the sophisticated, may lack the analytical rigour and compact and facile exposition, may lack the empirical basis to prove the arguments put foward and to support the advocacy of his programme, may be patchy in parts (especially in regard to chapter III dealing with central banks in other countries) and may be repetitious in others; and yet Manubhai Shah, as a practical administrator of vast experience and as a man well-versed in the business world, has a point of view that merits attention and serious consideration at the hands of the powers concerned. The arguments are bold, frank and generally convincing. One therefore wishes that the whole thesis of this book should have been put forward in a manner more befitting the great importance of the subject. The subject merits a more elaborate, a systematic and exhaustive treatment. Anyway this book is bound to provoke some serious thinking on this very vital problem of the reorganisation of the Reserve Bank of India.

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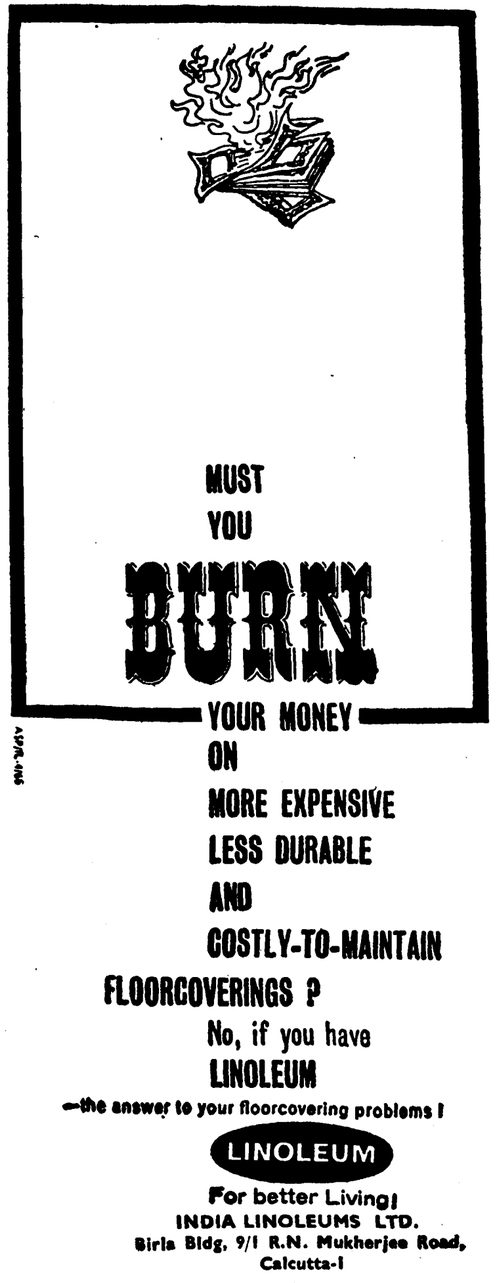

RECORDS AND STATISTICS

Export Policy Resolution

THE SALIENT features of the export policy resolution which was presented to Parliament on July 30, 1970, included identification of the products which were in demand abroad and which our country could produce relatively efficiently. The resolution stated that a new organisation was being set up in the public sector to provide package assistance to individual entrepreneurs for building up their export potential. Temporary restraints on domestic consumption are envisaged so as to promote exports as export markets once lost can hardly be regained.

The full text of the resolution is given below :—

India's foreign trade policy has been reviewed in the context of the objectives, strategy and priorities of the fourth five-year Plan. Government is of the view that expansion of export earnings is as crucial for financing the Plan as the mobilisation of domestic resources. To achieve national self-reliance and to reduce dependence on external assistance, export earnings need to be expanded at a high rate. The compound rate of expansion envisaged in the fourth Plan is 7 per cent per annum.

Promoting Economic Efficiency

A steady increase in export earnings is dependent on the continuous development and expansion of export-oriented production. The aim of such development should be the promotion of economic efficiency, diversification of production and better utilisation of skilled and unskilled manpower. The development of the economy's export sector has thus a vital role to play in the achievement of the Plan's social and economic goals. The needs of this sector should, therefore, receive very high priority.

The experience of the past few years testifies, on the one hand, to the country's potential for achieving a rising level of exports and, on the other, to the need for the adoption of appropriate policies and measures designed to promote investment in and development of the promising sectors of the economy.

In each of the broad lines of production such as agriculture, horticulture, sericulture, forestry, fisheries, minerals, textiles, chemical and engineering industries, electronics, etc., the products having long-term export potential will be identified with greater precision and special measures and programmes will be undertaken to secure their development and improvement. At the same time, like attention and assistance will also be provided for consolidating the position acquired in overseas markets by our traditional products such as tea, jute manufactures, cotton textiles, etc., and for identifying in these sectors, new areas of growth and production adaptation.

Promising Potential

In the agricultural sector, the production of cash crops identified as possessing a promising export potential such as, cashew kernels, oilseeds, raw cotton, raw jute, spices, tobacco, etc., will be developed further through increased provision of requisite inputs including irrigation, fertilizers, improved seeds, pesticides and other plant protection measures and through improved methods of cultivation. The object of the development of cash crops would be to promote not only their direct exports but also to augment their availability and improve their quality so as to increase the income from the overseas sales of processed and finished goods based on them.

In horticulture, production of fruits, vegetables, and flowers, both in natural and processed forms, will be developed scientifically and on a commerical scale. This would call for not merely the organisation of adequate production, but also of processing and transportation facilities. Special measures, including multiplication of silkworms and increasing their feedstock will be taken in co-operation with concerned state governments to increase the availability of silk and to improve its quality.

In view of the recent increase in the export of and demand for seafoods and their abundant availability in the Indian Ocean, there is urgent need for scientific exploitation of the potential in its sphere. To this end, appropriate measures for the expansion of the country's deep-sea fishing fleet and organisation of adequate facilities for processing the catch will be undertaken.

India's forest resources have not yet been fully harnessed for the purpose of exports. Apart from shellac, gums and other resins, there is scope for increasing the export of timber and processed plywood/veneers and minor forest produce. The export potential of our forest produce will be exploited more fully. Similar steps will be taken in regard to livestock, hides and skins, and the processing industries based on them.

In the mineral sector, iron ore is among our principal foreign exchange earners and the country is fortunately endowed with such large reserves that even at a high rate of exports, domestic requirements of ore for steel making can be easily met. Further, investment in the development of mines and in processing the raw ore for export as well as in the provision of transport and port handling facilities is called for. Geological exploration and development of other ores, *e.g.*, magnanese ore, chrome ore and bauxite as also of other minerals such as mica, cadmium, sillimenite, kyanite and fluorspar needs to be encouraged both for direct export and for use in the production of finished products for export. The expansion of the mineral sector would not only help to augment export earings but also accelerate the development of backward regions in the country.

Need for Diversification

In the textiles sector, based on cotton, wool, jute, coir, silk and synthetics, there is need for diversification and modernisation of industry and for product development. Keeping in view the size of India's textile industry selective modernisation of exporting or export-oriented units will be undertaken so as to equip them with modern machinery, if necessary, through imports. The export of yarn, of blended and finished fabrics and of readymade garments will be stepped up. In jute goods, since carpet backing cloth and decorative fabrics hold out the promise of long-term growth, expansion of their production will receive special attention. Expenditure on research and development to adapt traditional fibres to changing consumer preferences will be increased and special encouragement will be given to the organisation and expansion of production in the product lines for which overseas demand is expected to increase.

The diversification of industrial production and the improvement of its economic efficiency have been assigned an important role in the fourth Plan. Fortunately, industrial products also constitute the most dynamic component of international trade. The value

added to the export product by the industrial processes is high and the export of industrial products gives expanding opportunities for the utilisation of our resources in skilled and unskilled manpower.

Our industrial policy will consequently be guided not only by internal requirements but also by the rising demand for our industrial products in overseas markets. Recent changes in industrial licensing policy provide facilities for fostering the creation of new export capacity. In implementing it, the aim will be to generate expanding surpluses of industrial products. In pursuing this aim, every effort will be made to assist export-oriented units in the private and public sectors to achieve economies of scale, improve efficiency of production, reduce costs and adapt production to meet the requirements of their customers abroad. To this end, the procedures relating to foreign investment, licensing of creation or expansion of industrial capacity, licensing of import of capital goods and raw materials or other inputs, will be suitably adapted. Every effort will also be made to secure that indigenous industrial raw materials required for export production are made available in right quality and quantity, and at fair prices.

Labour Intensive Products

There is a steady increase in the demand, especially in industrial countries, for labour-intensive products. A number of these products can be manufactured economically in our small or medium scale sectors. Every effort will be made to organise their production and marketing so as to secure quantitative and qualitative adequacy of their output and sales. Equally, there is a growing demand in developing countries for the products of our technology which are more relevant to their needs at the present stage of their development. Special encourageemnt is intended to be provided to producers and exporters of equipment for the development of infrastructure, industrial machinery, machine tools and consumer durables to meet the emerging requirements of other developing countries. India is also in a position to undertake turnkey projects abroad, including the preparation of feasibility studies, blueprints, supply of machinery equipment and materials and their installation and maintenance. Indian films, both in the public and private sectors, will be given encouragement to compete for such projects, and to contribute to economic co-operation among developing countries.

The skills of India's artisans and craftsmen have made a significant contribution to India's foreign exchange earnings through the export of handicrafts. These will be developed to meet the emerging needs of overseas customers and changing trends in overseas markets.

Indian industries have begun to compete in international markets on the strength of their own inherent efficiency. The main responsibility for the task of further improving their competitive ability naturally rests with producing units. Government will, however, provide the necessary assistance to build up efficient production and, in the meanwhile, endeavour to compensate exports for the temporary handicaps that stem from transitional difficulties inherent in a developing economy and to alleviate the disadvantages arising from our domestic fiscal policies or tariff barriers in importing countries.

Defending Traditional Sector

While rapid growth comparable to that envisaged in the non-traditional sector cannot be expected in the traditional items of exports, it will be government's policy to promote measures to improve their competitiveness in the international market, to defend their unit value, and to improve to the extent possible, their export performance. Attention will also be paid to modernising our marketing and promotional techniques and improving the efficiency of exporting firms engaged in this sector.

As the quality of production for export needs special attention government will strengthen, expand and intensify its policy of compulsory quality control and pre-shipment inspection. The provisions of the Quality Control and Preshipment Inspection Act will be rigorously enforced. The Export Inspection Council of India, which is assisted in the implemention of compulsory quality control and preshipment inspection by the Indian Standards Institution and by the Directorate of Marketing and Inspection, will endeavour to improve the efficiency of its services so as to reinforce the confidence of overseas importers in the authenticity of its certificates of quality.

Exportable surpluses do not always arise automatically. Sometimes when there is a shortfall in production or indigenous production on an adequate scale is yet to be developeo, there tends to be a temporary conflict between domestic consumption and export. Since export markets once lost can hardly be regained, a part of the production must always be made available to earn needed foreign exchange through, if necessary, temporary restraints on home consumption. The question of restraint will be decided in consultation with the ministries concerned keeping in view the degree of essentiality of the product in question for industrial use or consumption at home.

Export marketing and product development have now become highly specialised disciplines. Our efforts to improve marketing research, to build up marketing skills and to train export managers will be intensified and expanded. The projections of the expansion of international trade over the seventies will be studied so that new investment effort in the country is directed to areas where we have natural factor endowment advantages and the overseas markets have growing needs for our products.

Product and market research is currently the responsibility of several bodies, official and non-official. Their work will be co-ordinated and the results of research will be pooled so as to promote more effective utilisation.

Export promotion councils and commodity boards are providing export services to producers and exporters and are helping them to cooperate in their export promotion endeavours. The effectiveness of the services provided to their members will be improved; and the responsibility for the execution of development programmes and the achievement of time bound targets will be fixed on them.

Need for Publicity

The world does not yet have an adequate picture of India's recent technological, industrial, and commerical resurgence. Our efforts in the field of commerical publicity will be strengthened and the Directorate of Exhibitions and the Indian Council of Trade Fairs will adopt modern techniques of audio-visual projection.

The role of the public sector in the development and expansion of our foreign trade will be expanded progressively and substantially. Its competence to penetrate new markets and to market new products as well as to provide merchandising services to Indian producers will be built up. Special attention will be made to forge enduring relationship with procurement authorities and trading firms and organisatons in overseas countries. New patterns of relationship with state trading organisations in other countries will be evolved. This effort will be spearheaded by the State Trading

Corporation of India and the Minerals and Metals Trading Corporation of India. Subsidiaries of these corporations will be organised and new public sector agencies will, wherever and whenever necessary, be created.

In particular, a new organisation is being set up in the public sector to provide package assistance to individual enterprises to build up their export potential and to earn and sustain the confidence of overseas customers. Manufacturing enterprises in the public sector will be assisted to organise their overseas marketing divisions. Public sector agencies will provide leadership for the country's commercial effort and will co-operate with other export houses and agencies actively in attaining a standard of commercial efficiency comparable to the best in the world.

Provision of adequate and timely finance is indispensable for both export production and export marketing. Packing and post-shipment credits are already being provided on concessional terms by commercial banks with the support of the Reserve Bank of India, while the Export Credit and Guarantee Corporation provides credit insurance facilities. Every effort will be made to strengthen and expand these credit arrangements and put them on an internationally comparable basis and the framework of financial institutions for the purpose, will be suitably strengthened.

New Pattern of Finance

With the nationalisation of major scheduled banks, it has become possible for the banking system to evolve fresh programmes and new patterns for their financial and technical services to the exporting community. The aim will be to induce entrepreneurs to expand and adapt their production with a view to entering into enduring relationships with overseas importers and to offer attractive terms and conditions to importers and users of our products abroad.

In order to encourage export orientation of production, the investor must have the assurance that export policies shall be reasonably stable and that production for exports would be advantageous to the producer. To this end, export policies should enjoy a degree of stability at least over the period of the fourth Plan. There will however, have to be room for flexibility to take account of changes affecting the competitiveness of our export products.

Among the inadequacies of the existing infrastructure for exports, that of shipping facilities needs to be emphasised. Government proposes to intensify its efforts to expand the national merchant marine fleet, to start new services and to strengthen existing ones, as may be necessary for the development of our trade. Government also proposes to strengthen the existing institutional machinery to secure fair freight treatment for our export cargo and to provide improved shipping opportunities for it. Methods for the handling of export cargo in our docks are also proposed to be improved in this connection.

The export of services and development of tourism provide means for a substantial expansion in our foreign income. There are attractive possibilities for the export of consultancy services in the fields of irrigation, power, agriculture, railways and road transport to many countries. Our long experience, established competence and competitive terms enable us to offer these services in pursuance of our programmes for economic co-operation with developing countries. This movement will be actively developed and encouraged.

Income for Tourism

The income from tourism constitutes an expanding source of foreign exchange for a growing number of countries. Foreign tourists have shown increasing interest in visiting India. The provision of adequate transport and accommodation facilities for them will be accorded a high priority.

The commercial and aid policies pursued by many governments set limits to the natural expansion of Indian exports. Government proposes to concentrate its efforts on securing speedy modification of these policies in the interest of the general expansion of international trade. These efforts will be vigorously pursued through bilateral negotiations and in UNCTAD and GATT and other international forums.

Early implementation of the resolution adopted by the Second United Nations Conference on Trade and Development in New Delhi for the institution by industrialised countries of a system of generalised non-reciprocal and non-discriminatory preferences in favour of the products of developing countries is a matter of high priority. Simultaneously, every effort will be made to promote measures to develop new uses for primary products and to secure stability of prices for them.

The practice of tying aid inhibits the development of mutually beneficial trade among developing countries: there is urgent need for untying it at least in favour of all developing countries.

The desire of developing countries to concert measures for intensifying mutually advantageous economic co-operation amongst themselves has yet to express itself in practical forms and institutions. Government proposes to play an active role in promoting economic co-operation in Asia and strengthening its economic links with other developing countries in Africa and Latin America.

Efforts will also be made to ensure that the enlargement of European Economic Community, instead of diminishing, expands our trading opportunities in that part of the world. Trade development programmes will be launched and wherever necessary appropriate agreements will be negotiated for the expansion of exports to other industrial countries including the United States and Japan. Medium-term agreements for the expansion of trade with the Soviet Union and other socialist countries will be negotiated. Arrangements will also be made to intensify commercial and industrial co-operation with them.

It is to be hoped that the declaration to be adopted by the United Nations on the Second Development Decade will make adequate provision for concerted international measures to secure adequate increases in the export income of all developing countries including India.

International Co-operation

While the importance of international co-operation for exports cannot be overemphasised, co-operation within the country in the export effort is no less essential a prerequisite for its success. A steady growth of export earnings at the rate of 7 per cent per year can be achieved only if adequate export performance is accepted as a national goal of very high priority. The central government is committed to pursuing vigorously appropriate policies to this end. A similar commitment is necessary from state governments, local bodies and all the sectors of the economy and the sections of society vitally concerned with the export effort. The co-operation of agricultural, mineral and industrial producers in sustaining, expanding and reorientating production, of the consumers in voluntarily restraining their consumption, of labour and management in maintaining an atmosphere of industrial peace, and of manufacturer-exporters in cultivating export markets will be actively sought.

In placing this statement on export policy before Parliament, Government of India trusts that the export effort will be viewed as one of the highest national commitments and that the people will extend to it their whole-hearted support and accord due recognition to those engaged in it.

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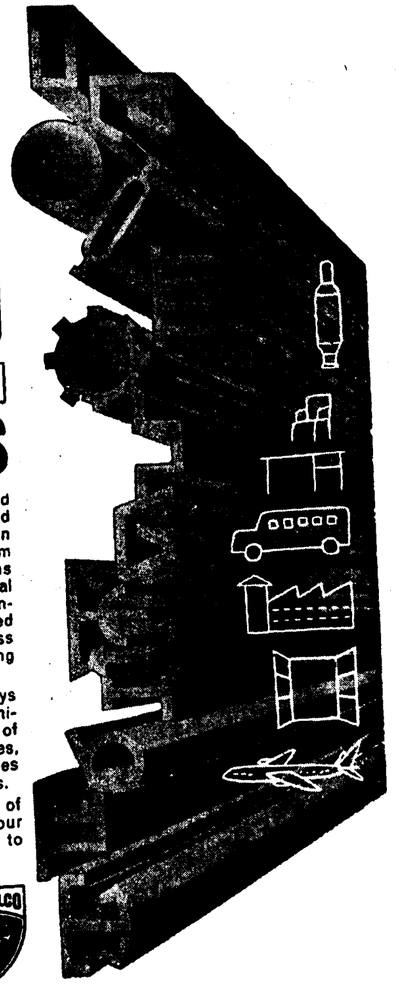

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EASTERN ECONOMIST 7

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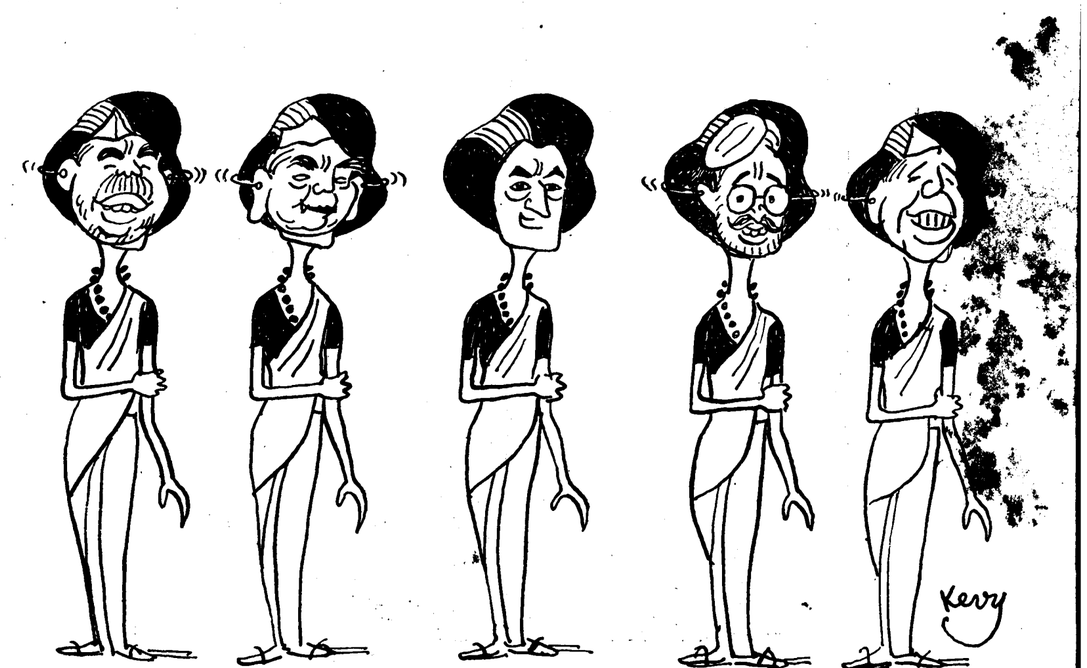
FROM "INDEPENDENCE DAY SUPPLEMENT"

Even as we have commercialized our religious festivals, we have politicalized our national celebrations. This year again the Prime Minister of the day gets the usual opportunity to speak to the people from the ramparts of the Red Fort on great and noble themes such as national integration or self-reliance in economic development. Mrs Gandhi, however, must feel in the lonely sadness of her heart that the Prime Minister of India no longer speaks for the whole people even on their national days. Such is the fragmentation of our public life or political affairs today.

—EDITOR



The PM has set up a mini-cabinet.

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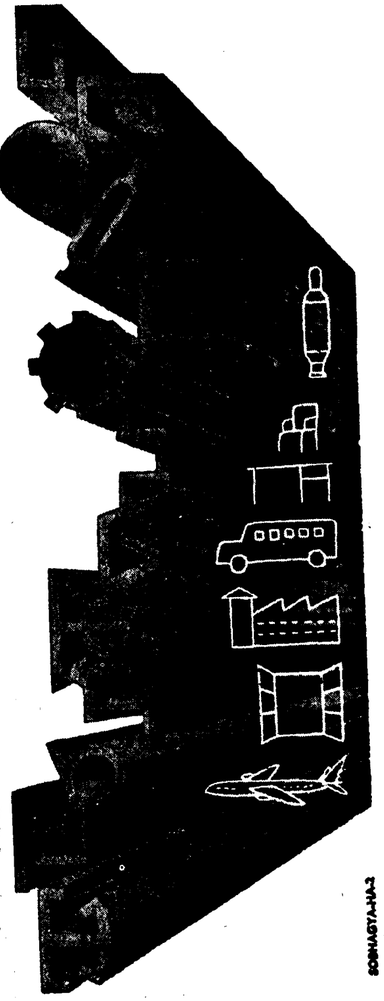

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A MANNER OF MOVING

ONE STEP forward, two steps back. An odd manner of movement, perhaps, but possibly not altogether futile. The earth being global, even this curious and rather circumlocutory way of travel ought to take one to one's promised land some time.

This, however, must be poor consolation for such of us as have been watching recent governmental attitudes or activities in the realm of the management of the nation's economic affairs. Hardly had the echo died down after it was said on behalf of the government that the resources and services of the larger business houses would be utilised for the expansion of essential industries or the ink dried on the Export Policy Resolution which stated, among other things, that industrial licensing would be suitably adapted to facilitate export-oriented production, when a Minister of State stood up in the Rajya Sabha to declare with a certain air of smugness that all the economic objectives and priorities of government policy would be subordinated to the Monopolies and Restrictive Trade Practices Act as administered by his Department of Company Affairs.

Even as Mr B. R. Bhagat, the union Minister for Steel, was saying in Bombay that the country could not be content with a rate of growth of seven per cent in industry and should attempt at least to double the pace and was mentioning in this context that the pattern of a mixed economy should be allowed to function vigorously, his colleague, the Minister for Food and Agriculture, was declaring in Parliament that what the nation needed was more and more nationalization. Mr Ahmed, it may be noted, was speaking thus not in terms of establishing new lines of production in any neglected sector of industry, but with reference to the taking over by the state of existing consumer goods industries.

The mischief does not stop with words, but is apt to spill over into action. Cavalierly brushing aside the protests of the entire cotton trade and ignoring also the representations of the cotton textile industry, the government is going ahead with plans for a state monopoly in the import of raw cotton and state trading in the home-grown crop. The technical justification for this move, as distinct from its political motivation, is as meagre as a casual recommendation of the Agricultural Prices Commission that cotton growers should be enabled to obtain better prices for their produce through the elimination of intermediaries. It has not weighed with the government at all that there is a whole lot of other evidence which does not favour this view of the role of the cotton trade in the economy of this commodity.

Then there is the amazing fact that the central cabinet has thought it necessary to treat as a matter of urgent public importance the question whether nationalised banks should assume the authority to exercise voting rights on shares pledged to them. The conclusion reached has been equally astounding. The decision is that nationalised banks should exercise voting rights on shares pledged against advances exceeding as low an amount as Rs 50,000. The large-scale intervention in the day-to-day conduct of companies thus contemplated is a frightening indication of the authoritarian tendencies which the government apparently desires to encourage in itself in its dealings with the private sector.

Finally — as at this moment of time— there is the sickening political game which is being played with the sugar industry. The Prime Minister's party having adopted the nationalisation of the sugar industry as a part of its platform, the central government has placed itself in a position where it could be easily embarrassed, if not harassed, by the superior tactics of Mr Charan Singh, the Chief Minister of UP. The union Minister for Food and Agriculture, in his helplessness, has sought to buy time through the familiar device of a committee of inquiry, but this can bring no relief to the business community haunted again by the resurrected ghosts of opportunistic nationalisation.

All this must point to the sad conclusion that had it been the government's deliberate decision to spoil the climate for a true revival of industrial activity after the stagnation of recent years, it could not have gone about the business better— if "better" is the word. Nevertheless, it is difficult to imagine that the government does not realise the risks and dangers of the continuance of depressed industrial activity. On the contrary, the announcement of a set of incentives for the starting of industries in West Bengal suggests that the government is not wholly unaware of the vital bearing which the growth of production

or employment opportunities has on political stability and public peace. In that besieged state a steel plant in the public sector has to be given permanent police protection by the centre so that its equipment may not be damaged or its managerial cadres may not be subjected to physical molestation. The state of the private sector has been, if anything, worse with numerous factories condemned to lead a paralysed or precarious existence and there is the outrageous instance of one of the finest engineering facilities in the country having been forced to stop working for months, while its striking employees show every sign of having been taken good care of financially by sources into the nature of which it should be interesting to inquire.

Even on a less sensational plane, the adverse consequences of prolonged industrial stagnation could be extremely disturbing for the nation. Months ago, eminent industrial leaders, such as Mr G.D. Birla, were warning the country that it was headed towards shortages of essential consumer goods. Now Mr J. R. D. Tata

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has drawn national attention to a steel shortage which is already here with no effective remedial measures in sight. The government claims to be keen on employment and welfare. But there can be no increase in employment without there being an increase in basic physical resources such as steel and industries, whether small or big, cannot feed on political talk and grow. Similarly, it would be a fraud on the people to talk of welfare if there is to be no steady and substantial growth in the output of commodities or manufactured goods of essential consumption.

Indeed the question may well be asked whether ministers such as Mr Dinesh Singh or Mr B.R. Bhagat are not allowing their well-intentioned enthusiasm to run ahead of the realities of government performance when they speak of faster industrial growth not only as a need but also as a possibility. At any rate a minister such as Mr Raghunatha Reddy, who is so keen on worshipping the Golden Calf of the Monopolies Act, seems to think that he knows better than they do which way the government will really go. Curiouser still, officials of the Ministry of Industrial Development have taken to glory publicly in the thought that the government believes that it can dispense with foreign investments except to a marginal extent; there are evidently vast hoards of accumulated capital with the public, waiting only for the magic phrase of "open sesame" to be uttered by the nationalised banks. Surely it is high time that the government realised whither it is drifting.

It seems to me that elder statesmen in the ruling party, such as Mr Jagjivan Ram and Mr Chavan, owe it to themselves and the country to stand up to quell the rabble-talk in a noisome section of their party and lend strength to the Prime Minister's elbow and encourage and enable her to pursue those constructive and positive economic policies which her instinct and reason alike must suggest to her as being in the true interests of the people.

Ducks and Drakes with Cotton

REGARDLESS OF whether it is right or wrong, the Government of India has begun in right earnest to implement the recommendations of the AICC Panel on Economic Policy, in particular that relating to the elimination of intermediaries, wherever in existence, before the end of 1970. The latest to be affected is the cotton trade, the Foreign Trade Minister having declared in the Lok Sabha a few days ago, that the goverment, rejecting representations of the trade, has "decided to establish the Cotton Corporation of India as a public sector agency". The corporation has been registered in Bombay and it is intended that it should take over the entire import trade in this commodity. The government will also set up an agency under the purview of the National Textile Corporation to operate in the field of the domestic trade in raw cotton.

Does this mean that all is over and nothing more need be done? Far from it. Every effort should be made to elicit from the government information as to how the take-over of the cotton trade benefits or will benefit those for whom those in power shed tears so profusely and also how it affects those who have been deprived of their sole means of living. The first of such efforts, it is gratifying to note, has been made by the Millowners' Association, Bombay (MOA). Millowners are the main consumers of cotton and it is clear from their detailed telegram to the Prime Minister on the subject of take-over of cotton trade that they do not expect to benefit from the government's decision. (They should also have added what the probable adverse effects would be). We wish that from the growers' side too (who also are believed to be opposed to the decision) a similar essay is made, more or less on the lines of the independent study undertaken by the University of Bombay some time ago; to reiterate the thesis that the cotton grower's earnings are not being eaten into by the cotton trader. After all, any decision in respect of a given commodity must be based on how it affects the interests of the producer and the consumer. It is needless to add that, if a particular decision of the government, as, for example, the one to take over the cotton trade, is not likely to benefit either the producer or the consumer, it must be condemned unequivocally and the government made to reverse its unwarranted decision.

The MOA has levelled the charge that the government has neither made out a convincing case for the take-over of trade in cotton, nor placed before the public any studies, product wise, to show that intermediaries between the grower and the consumer have been working to the detriment of society. It has also rightly contended that, prior to taking such a far-reaching decision, the authorities owed it to the public to explain the pros and cons of the proposed move, namely the taking over by the state of the wholesale trade procurement of major agricultural commodities. They should have established beyond doubt that prices of agricultural commodities were not economic or remunerative (which obviously they could not in the face of their own, that is official, tell-tale price indices) and that this was so because of exploitation by middlemen. Granting these were their fears, they should at least have convinced the interests affected, let alone the public at large, that such a step would assure to producers more economic or remunerative prices and mitigate or avoid exploitation by middlemen (the traders in this case) of the producer (the grower) and the consumer (the mills). It is not clear why, in this context, they chose to ignore the findings of even an impartial academic body like the University of Bombay. According to this independent study, a substantial share of the price of cotton paid by the industry (as much as 90 per cent) goes to the farmer, while the balance is accounted for by processing charges, transport costs, interest and remuneration of the trader, the last actually working out from just one to one and a half per cent, even which is shared with the government in the form of income and other taxes. It is also not clear why no attempt was made by the government (nor, for that matter, by non-government agencies) to assess the precise extent of benefit to the national economy if no remuneration were at all paid to traders, assuming, for argument's sake (as it is not a fact) that they rendered no worthwhile service.

It is difficult even for the government to make out the point that cotton prices in India have not been remunerative to the grower. As the MOA telegram has put it, cotton prices have increased by 50 to 70 per cent in the last few years and are far out of parity with international prices. Even millowners have not contended that prices payable to the primary producer should be uneconomic or unremunerative. What is necessary to make these prices more economic and more remunerative to the growers, they say, is not to eliminate the traders and thereby deprive them of their gainful employment, but to adopt a judicious combination of technology and productivity.

Despite possessing the largest area under cotton and a rise of about 15 per cent over the past 10 years in the increase in per acre yield of cotton, as a graphic pamphlet just put out by the Indian Cotton Mills' Federation (ICMF) brings out, the yield of cotton lint per acre at 115-120 lbs is still one of the lowest in the world, so that India ranks only fourth among the producers of cotton. The ICMF also makes the point that, if the farmer is given a regular and timely supply of improved seeds, fertilisers and pesticides and is educated in their proper application, he will produce impressive results, and also enhance his earnings several times over. But our government, which is out to save some Rs 100 crores or so of foreign exchange on the import of foreign cotton, is not prepared to spend even one crore of rupees on a cotton development programme (for 1969-70, the amount earmarked for this purpose is only Rs 90 lakhs) even after the Prime Minister made a pointed reference in her budget speech to new plans for assistance to dry-farming (and cotton-growing in India is still dry-farming in the main). Is it seriously suggested then that the government hopes to make up for this poor record by resort to state trading in cotton?

Apparently, the government is not fully appreciative of the reputation that Indian trade and industry enjoy for their skill and sagacity in buying and selling of cotton in world markets. It may not be known to many that, years ago, one of the astutest speculators in commodities in the United States came all the way from there to Bombay just to have a glimpse of a cotton trader whom he described as the greatest wizard of the world's cotton trade that he had heard of! Why does the government persist in pursuing a path that even countries such as the UK tried and gave up, especially after its own none-too-gratifying earlier experience in this field? Even the proverbially short public memory is not that short as to forget how, only a few years ago, the government imported some unwanted varieties of cotton and thrust them on the industry at prohibitive prices.

It is difficult for us to appreciate how, even after its own admission of the magnitude of the responsibility involved and of the lack of the organisational skills required in handling the domestic trade in cotton, not to speak of the enormous finances it entails, the government could persist in rushing in into this business. Marketing of cotton — by no means a monopoly of anyone — is a specialised job calling for an intimate knowledge of several varieties of cotton grown in the country as well as ability to take quick on-the-spot decisions. Where is the sense in starting a public sector corporation and to begin from scratch to build up its own capabilities for handling a trade after wantonly uprooting a tried and experienced existing agency? Has it occurred to the powers-that-be that this would mean enforced unemployment to millions engaged in the trade directly and avoidable distress to those depending on them indirectly? Have they given even some thought to the human question of providing alternative occupation to these unfortunate victims-to-be, as one has a right to expect, what with the pitiable plight still of thousands of goldsmiths who were deprived of their calling by the Gold Control Order?

It cannot even be said that any of the considerations enlisted for ushering in the public sector by the authorities themselves in their brochure — "Public Sector for Public Good" — exist in the case of the proposed take-over of cotton trade. This brochure seeks to explain what the public sector aims at and lists these. The relevant ones, *inter alia* are: (i) increase in employment opportunities and (2) keeping down of prices.

While all these are important considerations, we wonder why the MOA has not asked for some assurances in the event of the government pushing on with its cotton trade take-over policy. In the first place, it should ask for an assurance that the industry would receive the qualities of cotton it requires and at reasonable prices. In case the government is unable to do so, it should ask for an escalation clause both as to items of production and prices to be charged to consumers of cloth. It should of course, be prepared to, and also offer to sell cloth at lower prices if the government is able to supply cotton at relatively cheaper prices. The public also must be prepared to accept standard cloth or only such varieties of cloth as may be specified by the authorities, which would be one of the surest results of the government's inability to supply the precise qualities of cotton (imported or domestic). It would also be worth speculating what unfortunate effect a situation such as this, if it should unhappily develop, would have on our cotton textile exports which, even as it is, are facing rough weather. Only when satisfactory answers are available to all these questions could a really responsible government honestly claim that it has the right to the luxury of taking on this additional commitment.

Scrap For Sustenance

THE RECENT decision taken by the Minstry of Foreign Trade to ban the export of ferrous scrap (including heavy melting scrap, defective billets and a few other categories of scrap) and to permit the export of cast iron borings and certain special types of scrap "on merit" was timely. The steel furnaces had been finding it difficult for some time to obtain scrap at appropriate prices in the domestic market and they had represented to the government early this year that, in view of the precarious supply position, the export of ferrous scrap should be prohibited. As a first step, the Metal Scrap Trade Corporation (MSTC) — the premier exporting agency for scrap —was asked by the government not to enter into any contract with foreign buyers for the export of scrap after March 31, 1970. It was only after examining the position regarding the availability of ferrous scrap that the authorities took the step of imposing a ban on the export of this material.

The steel furnace industry in our country emerged out of the recession in the middle of last year; the demand for ferrous scrap has been growing at a fast rate since then. In the first quarter of the current year, the production of the steel furnaces rose by 32 per cent over the quarterly average for the last year. It has been estimated by the industry that its production is likely to increase by as much as 66 per cent during the current year in relation to 1969. It is highly probable that the furnaces would raise their output by at least 50 per cent over the level attained in 1969 and it would be unfortunate if they are starved of the necessary raw material. The decision to disallow export of ferrous scrap therefore is highly relevant and justified.

According to press reports, the restrictions on the export of scrap have resul-

ted in a steep fall in its prices. The prices of turnings and borings are said to have slumped in Bombay from Rs 200 to Rs 140 per tonne. In the case of sheet cuttings, the drop is reported to be from Rs 275 to Rs 225 per tonne. That the ban on the export of ferrous scrap would result in a decline in prices was expected. The steel makers have however contested the reported fall in prices and have shown their willingness to buy all the scrap available at the prices which have been publicised. In fact, the steel makers have so far not been able to secure the scrap that they wanted from the trade at prices even higher than the minimum quoted in the press.

While supporting the increased use of the capacity of the steel furnace industry which has promised to give a million tonnes of liquid metal next year, we cannot ignore the useful work done by the MSTC in promoting the export of "surplus" scrap and earning valuable foreign exchange. The MSTC has struggled hard in the past few years in establishing contacts with foreign buyers of scrap and it is clearly in the interests of the national economy that an attempt should be made to maintain these contacts once the requirements of domestic furnaces are met. This co-ordination of objectives should be possible to achieve through more intensive programmes for the conservation and collection of scrap.

It follows that the steel furnace industry which is naturally satisfied with the new restrictions on the export of ferrous scrap, has also acquired an obligation to contribute to efforts for intensifying the collection of scrap all over the country. The Steel Furnace Association is currently trying to enlist the co-operation of large generators of scrap such as the controllers of military stores, the railways, the ordnance factories and the public sector projects. Instead of subjecting themselves to a time-consuming process of "collecting, storing, handling, tendering and auctioning scrap", the generators would now be able to ensure quick and efficient disposal of scrap at reasonable prices. This will also open up a new era both for the generators of scrap and for the consumers.

The scrap trade is extremely upset and there is a possibility that the steel furnaces might not be able to collect all the scrap that they need. A way must be found of mollifying the disgruntled elements in the scrap trade and a price formula should be evolved which should be acceptable to all the parties concerned.

According to the Iron and Steel Scrap Association of India (ISCAI), last year the total collection of steel turnings and No. 1 sheet cuttings was 250,000 tonnes and 140,000 tonnes, respectively. Of these, domestic users took 90,000 tonnes of steel turnings and furnaces took 56,000 tonnes of No. 1 sheet cuttings. This year's collection of these two items is estimated at 400,000 tonnes and 200,000 tonnes, respectively, both appreciably higher than in 1969. From the consumption figures during the last half -year (January-June 1970) it is inferred that furnace owners might not take more than 80,000 tonnes of steel turnings and 54,000 tonnes of No. 1 bundles, respectively, which means that, if exports are not allowed freely, there would be large quantities of unutilised scrap.

These figures, according to a spokesman of the steel furnace industry, are incorrect. From average monthly consumption of 33,218 tonnes of scrap of all categories in 1969, 43 of the more than 70 furnaces in this country increased their intake to 44,960 tonnes a month in the first quarter of the current year and to 48,967 tonnes a month in the second quarter. The consumption of scrap was as high as 53,900 tonnes in June and the steel furnaces are hoping to raise it further to more than 60,000 tonnes a month. It follows that the steel furnaces are likely to consume more than 700,000 tonnes in the coming twelve months and according to the estimate of the Steel Furnaces Association of India, the total availability of scrap of all categories is not more than 700,000—750,000 tonnes a year. The estimate of 1.8 to 2.0 million tonnes of yearly availability of scrap which was forecast in a survey in 1967 is an exaggerated one, according to the steel furnace industry.

In view of the fact that the steel furnace industry has made frantic efforts to utilise the bulk of the unutilised capacity, the demand for scrap seems to be larger than indigenous supply. If the MSTC extends its co-operation to the steel furnace industry and procures data regarding the stock position of registered scrap traders, it would be possible for the interested parties to work out a programme of feeding the furnaces and declaring the volume of surplus scrap, if any, for export. All efforts made so far in regard to the collection of statistics of ferrous scrap have been fruitless.

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Monopolies in Legal Perspective

NAVIN CHANDRA JOSHI

FOR CENTURIES, men have talked and written about monopoly, usually in condemnation, often in anger. Monopolistic situations have indeed meant many things, each with its own shade of meaning. Prof Chamberlain referred to the condition of pure monopoly where there is complete control of the supply of all commodities and services by a single seller. This is too extreme a condition as, in fact, pure monopoly never exists, not even in the Soviet economy. Comparing with competitive conditions of the market, he believed that "Monpoly and competition are generally regarded not simply as antithetical, but as mutually exclusive. To demonstrate competition is to prove the absence of monopoly and *vice-versa*."[1] Strictly, the term monopoly has no place in a capitalistic society. The existence of a monopolist signifies that one organisation has total command over the entire income of the community, irrespective of the price that it may charge for its poducts. In Economics a monopoly situation is mirrored by a demand curve in the shape of a rectangular hyperbola.

Output Stabilisation

However, to Prof E.A.G. Robinson a monopolist possesses the power to convert the present demand into a future one by means of output stabilisation and in so doing he often reduces the price that he receives. Another analysis of a monopolist is that he "can maintain his own advantages at a level higher than the prevailing level only because he can prevent the movement of those resources which would like to move into his occupation. He can be said to exploit these resources. He can also be said to exploit consumers, who now have to pay a higher price than before."[2]

Whatever the different shades of meanings attributed to the term, an overwhelming opinion is that monopoly situations result in a general distortion of the distribution of resources; a larger amount than is desirable going to the monopolist and a small amount than is desirable is applied for other uses. The practical impact is found to be on sales and price policies of monoplies giving themselves greater profits than would result from the unco-ordinated action of competitive firms. Where competitive conditions are visible and the product is fairly homogeneous, there develops a tendency towards "cut-throat competition." As a result, the weaker are ousted from the arena and a few monopolistic organisations get themselves well established. Practices like product-differentiation, conscious parallelism or price-leadership are then adopted. The consequence is the creation of an oligopoly (in which power is assumed by collusion) which becomes a dilemma not only for the economist but also for the governments in dealing with it effectively.

Cause of Worry

Experience has shown that oligopolistic competition has caused many a government, including the American and the British, a great deal of embarrassment in bringing them completely under legalistic control and therefore the authorities have, more often than not, refrained from taking action except against blatantly harmful forms of price-leadership adopted by oligopolistic organisations. Clearly, it is not the phenomenon of monopoly as defined in economic theory but the oligogopolistic behaviour of firms that ought to be controlled by legislation.

The Monopolies and Restrictive Trade Practices Commission of Britain generally concerns itself with conditions where (i) one concern or group of concerns, is responsible for at least one-third of the supply, processing or production of the goods in question in the UK, (ii) two or more concerns, together responsible for at least one-third of the supply or processing or exports of goods defined, so conduct their affairs other than by means of a restrictive agreement, as to prevent or restrict competition, and (iii) there are such agreements preventing or restricting the export or competition in relation to export of goods from the UK and they are operative in respect of one-third of all the goods of such description. A number of firms examined by the said Monopolies Commission were found to be operating under oligopolistic market conditions.[3] The American anti-trust laws also, in effect, try to put a curb on oligopolistic power of combines. One significant conclusion that emerges is that it is not the monopoly situation only that needs to be curbed but the market dominance and collusion by firms which appear to be competitive but they are combined in some way.

While accepting that pure monopoly is almost non-existent, the Monopolies Inquiry Commission of India observed that monopolistic trade practices are definitely prejudicial to public interest and they tend to increase unreasonably the cost of goods and services and give higher profits to the big business firms owned by a few. There is no doubt that monopolistic firms put unreasonable restrictions on competition or supply of goods to consumers and, as a result, it is the consumer who is worst affected. Commenting on the effects of monopolies it has been remarked that "on purely economic reckoning by the strength of its power, big business can influence both the market and the government to secure large resources for ends which are either of low priority in terms of planning or earn lower returns than would have been earned by other business, or both."[4] The observations of the Monopolies Inquiry Commission are pertinent in this context. Says the report "...it is no use turning a blind eye to the fact that big business has the power to corrupt and that the danger that the power may be extensively used is not imaginary."[5]

Industrial Licensing

The power of big business to make friends and influence people was brought to light by the Mahalanobis Committee when it said that "The growth of the private sector in industry and especially of the big companies has been facilitated by the financial assistance rendered by public institutions like the IFC., NIDC., etc."[6] It has been found that, in the use of bank credit also, the main beneficiaries have been the big and medium enterprises of the private sector in this country. One important form of assuming control over the production function of the economy has been by way of monopolising the instrument of industrial licensing either for starting new industries or for expanding the existing capacity.?

In fact, the whole system of licensing prevailing in the country so far is supposed to have restricted the freedom of entry into industry and thus helped in strengthening economic concentration. Prof. R.K. Hazari also came to the conclusion that the large and medium sized business groups enjoyed a higher ratio of approval in licensing applications as compared to others.[8] However, the findings of the Industrial Licensing Policy Inquiry Committee were somewhat at variance when it remarked that ".. the large industrial sector as a whole did not obtain a disproportionate share of the

overall licences in any significant sense of the term.[9]"

The committee did find that the 20 large industrial houses obtained a share which was slightly higher in some respects than others in the private corporate sector. About 31.8 per cent of the total licences issued in the period 1956-66 were not implemented and this did result in pre-emption inasmuch as the large industrial sector installed higher than authorised capacities and the obtainment of a large number of licences by them prevented entry of other firms from the activity of production and sale. An interesting analysis of the consequences of monopolistic practices reveals that "the advantages of industrial concentration from the point of view of productivity can be so great that an enterprise which resolutely commits itself to this course of action will eventually eliminate all its competitors and be left alone in the market, and its optimum volume of production will enable it to meet any existing demand, at price levels related to its own costs. When it realises that competition has been eliminated it may of course be tempted to take advantage of its monopolistic position and follow a different policy."[10]

Impossible Task

In the background of various definitional attempts the Indian law has conceptually taken a monopoly firm as one which either singly or with not more than two other firms produces, supplies, distributes or otherwise controls not less than one-half of the total goods of any description that are produced, supplied or distributed in India or any substantial part thereof (this includes rendering of services also). In practice, however, it would be an enormous task, even if not an impossible one, to find out which firms can be regarded as dominant on the basis of the criteria laid down. For one thing, paucity of reliable data regarding sale and the time involved in the collection and compilation of such data will come in the way.[11] Secondly, a firm or firms coming within the mischief of the above provisions at one point of time may legitimately claim to be excluded from such label with the changed pattern and quantum of the variables of output or sale. Further, this legislation intends to control and regulate monopolistic and restrictive trade practices with a view to curbing the tendency of concentration of economic power in the hands of a few rich persons or groups of persons in the country.

This is intended to be achieved in a negative fashion by denying the large-sized firms from becoming still larger. Any undertaking (either singly or together with inter-connected undertakings) owning assets of the value of not less than Rs 20 crores shall be subject to such control. In case an undertaking (together with inter-connected ones) produces or supplies goods or renders services to the extent of not less than one-third of the total goods or services, and if it owns a total of assets of a value of one crore rupees or more, it would come under the rigours of this law as being a 'dominant undertaking.' That being so, it now remains to be examined whether the criterion of the value of assets is a sound determinant of the extent of concentration of economic power in private hands.

Importance of Private Sector

The total number of companies (both public and private) in India declined from 27,403 in 1958 to 27,047 in 1966. The paid-up capital of these companies increased from Rs 1,515.6 crores to Rs 3,154.4 crores during the same period. More than half of this increase (it comes to Rs 1,638.8 crores) took place in respect of government companies.[12] Naturally, the relative importance of private corporate sector has declined on the basis of asset accumulation and it can reasonably be inferred that concentration of economic power in private hands also diminished. Besides, asset valuation as a measure of concentration must take a number of factors into consideration. For example, the changes in the structure of assets, depreciation and reserves, sources of finance, etc., are the variables to determine whether the size of a firm is socially desirable or not.

Perhaps it will always remain a moot point whether a private sector firm of a large size is essentially anti-social. In the context of huge structures of public sector undertakings, such a controversy assumed special significance. If it is the size of a firm that becomes questionable, the same could apply to the government sector firms also. Granted that governmental activities reflect more in the imparting of social good and social justice, yet monolithic organisations do have adverse economic repercussions. Diseconomies may set in, administrative inefficiency due to unmanageable size may become evident, over-production or under-utilisation of installed capacities may become important phenomena.

These features are already much in evidence in our country so far as the public sector enterprises are concerned. These enterprises may also assume the character of economic monopolies with the concomitant harms to the community. Perhaps, realising this aspect of the problem, while commenting on the representation made by certain industrialists to bring public enterprises also within the jurisdiction of the Monopolies and Restrictive Trade Practices Commission, the Monopolies Inquiry Commission observed : "It was rightly pointed out that such public sector enterprises are no less capable of indulging in restrictive practices that may be harmful to the general public than their private sector competitors; and if the latter require, in the pubic interest, the controlling supervision of the Commission, such controlling supervision is equally needed for the public sector enterprises."[13] It is, therefore, necessary that such fears not only on the part of private sector but also of the general public, are removed by devising a suitable machinery in order to see that no enterprise in the government sector assumes a size that may not be defensible.

In order to determine which would be the best size to be termed as defensible, both for the public and private sector firms, it would be quite rational to take the concept of optimum size as the most reasonable. Indeed, at the national level an independent body should be set up so that the sizes of all firms beyond a particular limit be reviewed by it in order to find out whether scales of economies or diseconomies are obtaining. A large size is not essentially harmful provided the limits of optimum size (as calculated by different forces) are not exceeded. In recent times it has been felt that the Life Insurance Corporation should be split into five autonomous units for greater efficiency as this monolithic organisation is incapable of sustaining its burden in one structure.[14]

Giant a Relative Term

The Indian law of monopolies has made it necessary for big undertakings (as defined under the Act) to seek approval of the central government if they expand their activities by the issue of fresh capital or by installation of machines or other equipment or in any other way. This would apply if the expansion of such undertakings is by not less than 25 per cent of the value of their production, supply of goods or rendering of services. In the case of 'dominant undertakings', approval is required if their assets are to exceed by not less than 25 per cent of their present value. In according such approval the consideration of public interest will prevail. Further, a duty has been cast on such undertakings to prove that the expansion will not lead to concentration of economic power. It is important to note that an omnibus term like 'public interest' has not been spelt out and more than this, whether concentration

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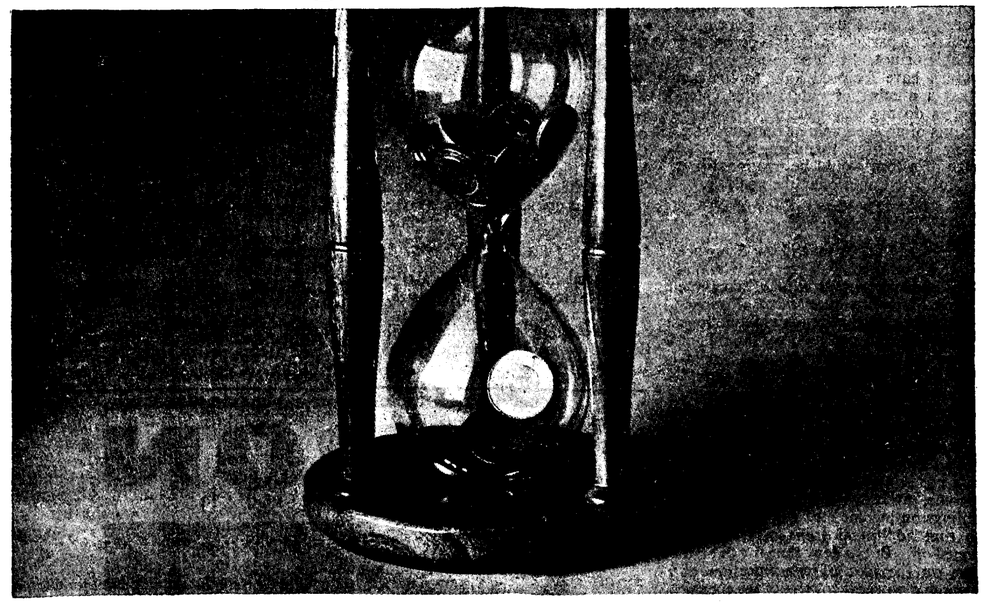

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of economic power would be accelerated by an expansion of a firm or not is a matter of value judgment. The seriousness and magnitude of this notional concept might vary in different situations. For the establishment of a new undertaking also, with assets not less than Rs 20 crores, permission of the government has become mandatory. Similarly, any scheme of merger or amalgamation of such undertakings has to meet with the approval of the government.

The foregoing analysis of the legal requirements in respect of big firms of business in the private sector underlines the anxiety of the government to check their growth in size. It seems that large size of firms has been considered as bad *per se*. It must, however, be remembered that the concept of 'optimum size' is one which can advantageously be made use of in determining whether a particular size is economically viable or not. Studies are not wanting which have focussed light to the fact that a number of public sector enterprises do not conform to the requirements of an economic or optimum size. Any conclusion, therefore, about the size of a firm would be irrational if it is not based on a scientific analysis.

Misconceived Argument

One may argue that if big firms are allowed to become bigger, it will further augment concentration of economic power. There is an element of apparent force in this argument but it is somewhat misconceived. We should not become afraid of big companies becoming bigger, rather our concern should be in respect of rich persons becoming richer. After all, corporate bodies are not private kingdoms. They are social institutions in which a number of people have a stake and interest. If the rich are in a position to get a large share of the income, measures like rigorous taxes, ceilings on income etc. can be adopted so that additional gains may be siphoned off. But to deny the growth of a firm on the plea of concentration of economic power is to restrict the economic development of the country.

The American economy has advanced notwithstanding the anti-trust laws and giant corporations existing side by side. It must be remembered that the USA giants are 50 times and the UK giants 20 times as large as Indian giants. A number of other developed countries have sizes three to seven times larger than the sizes of big Indian firms. "It can easily be established that the US companies by all criteria, excepting that of labour employed, are the largest in the world. If we take the net assets and sales as our criteria the biggest US companies are larger than the biggest companies in Europe, while those in Europe are larger than those in India."[15] These countries also have an economic system and a set of laws by which they prevent big firms from distorting the economic structure and exploiting the community. Nevertheless, their bigness is not a scare for their governments. On the economic plane, firms there are allowed to grow, subject to the regulatory measures in force.

Is it not incongruous that on the one hand, only last year the rigours of sanction under the Control of Capital Issues were done away with and now a more serious blockade is being created in the path of expansion of companies? The thesis proposed in this article is that the Monopolies Commission of India should keep the principles of determination of optimum size of a firm in view while sanctioning or rejecting an expansion proposal received by it from any firm. The only test of asset valuation is too preposterous. Commenting on the size of public sector undertakings, Prof. Ramanadham has this to say, "The production and supply of output ought to take place under conditions of the lowest possible costs, in relation to the given structure of demand. This implies that the size of the business unit is optimum in nature no longer, in particular, in th case of public enterprise."[16]

It need not be emphasised that an optimum size is the least cost size. No doubt, firms which expand unduly without diversifying their additional gains to the society should be brought under measures by which their expansion does not result in becoming a cause of further concentration. If this becomes the basic policy of the government, then the social objectives of the monopoly legislation shall be better fulfilled. In that case, expansion of even big undertakings (which are not necessarily monopolistic) may be justified and found appropriate on economic grounds, e.g., for reaping advantages of economies of scale. Needless to say that it is the evil social consequence emanating from any monopoly or big firms (irrespective of who owns them) that needs to be checked rather than the growth itself.

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9. vide ILPIC Main Report; July 1969; p. 74.

10. GATT, *Restrictive Business Practices*; Geneva; May 1959; p. 10.

11. Even the Monopolies Inquiry Commission did not calculate the concentration of ratio of sale due to lack of statistical data.

12. Adapted from article by Dr S.K. Goyal in *Company News & Notes*; Deptt. of Company Affairs, GOI. Feb. 1 & 16, 1970; vol. VIII.

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14. The Committee on Public Undertakings of Parliament has advocated such a proposal but the Administrative Reforms Commission and the Morarka Committee on LIC expenses did not favour restructuring of the corporation.

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Industrial Belts of Mysore

K·G· RAMAKRISHNA

It is possible to divide Mysore state into the following five recognisable industrial belts, by virtue of their possession of favourable factors such as availability of raw materials, good means of transport and communications, cheap manual labour, supply of power and wide market: the Bhadravathi-Davangere-Harihar belt; the Bangalore region; the Nanjangud-Mysore-Mandya industrial belt; the Kolar belt; and the North Mysore and coastal districts belt.

The first and the foremost belt in the opinion of Prof G. K. Ghori, in his unpublished monograph on the concept of 'Regional Planning as Applied to State of Karnataka', is Bhadravathi-Davangere-Harihar belt. This is roughly a region having an area of about a few hundred square miles with availability of all the facilities such as supply of raw material, power, supply of skilled labour, efficient and cheap means of transport etc. So that in the very near future this region would develop to such an extent that it could easily overshadow any other industrial region in the state, so far as its productive capacity is concerned.

Agricultural Raw Materials

Here are found in sufficient quantities agricultural raw materials so that industries such as sugarcane and coffee curing could be established. Here are also to be found metalliferous compounds which could easily support such basic industries as chemical and iron and steel, and industries of strategic importance. Here again are found suitable hydro-electric generating stations which provide adequate supply of power, the use of which is already making tremendous progress possible in the expansion and development of industries. To supplement hydro-electricity for industrial purposes the ghat forests which are very near to the industrial region could also be used as a source of power.

Here, again, is the most significant region from the point of mineral resources: the Kemmannugundi and Bababudan region which provides such raw materials as limestone and iron ore for the Mysore Iron & Steel Works at Bhadravathi.

Cotton Growing Region

Cotton is grown in the region north-west and north of Harihar. Davangere is considered as a very important cotton market which is also the distribution centre. The structure of Davangere is changing rapidly, so also of Harihar. The distance between the two cities is hardly nine miles. The new industries coming up in this region are sugar (at Shimoga and Davangere), chemicals (at Harihar) and pulp manufacturing. The Hassan region is a satellite of this major belt. The presence of bauxite and other metal resources and easy availability of timber resources have led to the setting up of the related industries.

The second industrial belt, the Bangalore belt, had benefited from the establishment of a good transport and communications system during the British regime. In fact its position is of such significance that it is at present not only the commercial capital of the state, but also the administrative one in spite of its less favourable location. In a tropical region such as this with less than 35 inches of rainfall one would expect rather semi-humid hot atmosphere not congenial to the development of human activities.

It is to be noted that the Bangalore region faces the handicap of shortage of fresh water for industrial use. This is because of the fact that the region is so located that it is some 60 miles away from any perennial river of the state. When the problem of water supply for domestic purposes is still engaging the attention of the authorities, (it is hoped to be solved by 1972-73, when the Cauvery water is brought to city from Sivasamudram, about 62 miles from the city), it is doubtful whether the problem of fresh water supply for industrial purposes would be solved thus hindering the setting of new industries.

The Bangalore belt is far away from the cotton producing areas. The nearest cotton growing region is the black soil of Chitradurga while there is another one south of Mysore. Neither of these is less than 100 miles from Bangalore. But the facility for transport is such that, in spite of heavy cost of transport for getting cotton, the region has developed a number of cotton mills, like Binny Mills, Mysore Spinning & Manufacturing Co., Minerva Mills, and a host of medium-sized mills. There are other factories which are sponsored by the state as well as central government. They are both large as well as medium size. Large-scale industries located in this belt are Hindustan Machine Tools, Indian Telephone Industries, Hindustan Aircraft, New Government Electric Factory, Government Electric Factory, Bharat Electronics, only to mention a few in the government sector. There are other medium-sized units which are making this belt more and more congested. Hence there is every need for dispersal of industries.

The third industrial belt, that of Nanjangud-Mysore-Mandya, includes such industrial centres as Nanjangud, Pandavapura, Belagula, Mysore and Mandya. Major agricultural industries set up in this belt are, the sugar industry at Mandya and Pandavapura, cotton textile in Mysore and Nanjangud, silk filatures and weaving factory at Mysore, and paper mills at Belagula (using bagasse as raw material).

Geographical Reason

The Mysore region is better suited for the establishment of industries than the Bangalore region for the following geographical reasons:

(*a*) There is sufficient supply of raw materials such as limestone and Kaolin. The region is made up of Archean rocks of different composition which unfortunately is little explored geologically. It is possible that other metalliferous minerals may be found in the area which may be of strategic significance and which may help the development and expansion of the industrial structure of the Mysore belt.

(*b*) Mysore region is situated in between the Cauvery and Kapila, almost

at half the distance between the two rivers which are perennial. Therefore there is possibility of abundant supply of fresh water not only for domestic purposes but also for industrial use.

(c) The region is not so rugged as the Bangalore or Harihar areas. It is elevated table-land. If railway communications connect Mysore city with Coimbatore via Satyamangalam it will add very much to the expansion of the industry in this belt.

The Mysore region is favourable for agriculture because of availability of perennial river water. Such crops as mulberry, sugarcane and tobacco could be raised on a large scale. The rearing of silk worms has become a very important occupation of the rural population of this belt. Mysore city and neighbouring towns can boast of well-established silk filatures. Power is supplied from Sivasamudrum. So there is no dearth of power supply for the location of industries in this belt.

The sugar industry is capable of expansion and there is every possibility that in the near future more sugar factories will be developed in this belt. Some more industries such as tyre manufacturing, rubber factories and chemical industries are soon going to add to the already existing ones such as motor cycle, lac and paints industries.

The Gold Belt

The fourth industrial belt, the Kolar industrial belt, is noted for the production of gold. This is 40 miles from Bangalore on high land, about 2,800 ft. above the sea level. There is a single gold-bearing reef of quartz, some four miles long. Sivasamudrum located at a distance of 92 miles supplies electrical power to Kolar gold field. The labour force of the Kolar gold fields is of a very heterogeneous character. According to the Mysore census report of 1961, about 35 per cent are Mysoreans and the rest outsiders from the west coast and Tamil districts bordering the Mysore state. About half of the labour force belongs to depressed classes converted to Christianity. This area has no scarcity of labour supply. It enjoys the facility of transport and communication as it lies between the Bangalore and Madras railway line. The development of gold mining operation becomes very significant in this area.

The region is also favourably situated for the rearing of silkworms, and there is possibility of setting up silk industry on a large scale. Chintamani is the chief industrial centre of this belt. There are some handloom factories working on cottage industry basis.

Again, this region is favourable for the location of sugar industry. Sugarcane is grown around the district of Kolar. With the availability of raw material, hydel power, cheap and efficient means of transport, manual labour and supply of fresh water from the river, North Pinakini, a sugar factory has already been located at Gauribidanur.

Recently the earth mover division of the Bharat Earth Movers Ltd, was shifted to this belt so as to help those workers who were retrenched from the mining jobs due to the closure of part of the gold mines.

The fifth industrial belt is the Bidar, Gulburga, Bijapur, Raichur, Dharwar, Bellary and S. Kanara belt. This region possesses certain geographical advantages in respect of raw material and power resources developed as a result of hydro-electric schemes. The districts of Dharwar, Raichur, Bellary and Belgaum are the cotton growing areas because of the favourable geographical factors such as suitability of climate, rainfall, soil and the available transport facilities. The cotton markets are in Hubli, Gadag, Bagalkot, Bijapur, Dharwar, Bailhongal, Athni, Kagewad, Ranibennur and Haveri. Bailhongal has a regulated cotton market. The cotton mills are found in Hubli, Gadag and Gokak. This region has a number of facilities for starting cotton textile and sugar factories. The chief sugarcane growing areas are Chikodi, Hukkeri and Belgaum taluks of the Belgaum district and on a smaller scale in the North Kanara district.

This belt is rich in iron ore and is noted for rich forest products such as timber, pulp etc. Timber however is very expensive to transport and it is necessary that the saw mills are set up at suitable places in the area so that production capacity of the belt could be easily increased. This region is also noted for the production of tobacco and Nippani is the chief centre for this. There is every possibility of setting up of new industries both small and large scale which could utilise the above mentioned available raw materials.

Though Mysore was at one time considered a relatively industrialised state; at present it has slipped back in industrial development as compared with other neighbouring states, even though it is rich in natural resources and free from labour unrest. Hence, the state government should display more initiative in encouraging the establishment of more and more industries.

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FROM THE PRESS GALLERY

Opposition Solidarity Takes Shape ?

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NEW DELHI, Saturday:

ALTHOUGH THE efforts of some Congress-O members to have a co-ordination body of the non-communist opposition parties have not borne fruit, there are signs of some solidarity being effected among these parties. At behind-the-scenes parleys this week, it is reported to have been agreed that the non-communist opposition groups would attempt understanding and concerted action on specific issues. The presence at these discussions of the representatives of the PSP, the SSP, the BKD and the "unattached" group was indeed significant, for hitherto it was felt that co-ordinated approach could only be expected on the part of the Congress-O, the Jana Sangh and the Swatantra parties. It is said to have been agreed that the whips of the parties going in for co-ordinated action would make joint efforts to mobilise the members of their respective parties on specific issues.

Co-ordinated Action

A clear evidence of this co-ordinated action on the part of the non-communist opposition was available yesterday when excepting the members belonging to the CPI and the CPM and also the DMK and some independent members, the entire opposition walked out of the Lower House in protest against the "weak-kneed" policy of the government towards the Soviet Union. The failure of the government to lodge a written protest against the persistent showing of the NEFA and the Aksaichin areas in an encyclopaedia published on the direction of the Soviet Communist Party and the Soviet government, as Chinese territory, was cited as the latest example of the Government of India's subservience to the Soviet Union. Only a day earlier, on this very issue, only the Congress-O, the Jana Sangh, the Swatantra and the PSP members had walked out of the Upper House. By his evasive replies in this House, the Minister for External Affairs, Mr Swaran Singh only confirmed the suspicion that no written protest had been sent to the Soviet Union against its "cartographic aggression" against us. His efforts at suggesting that it was only a technical error, having no political significance (as assured by the Soviet Union) only angered the agitated members.

Among the other important issues discussed in the two Houses were: (i) the growing unemployment; (ii) the resumption of upward trend in prices; (iii) the demand for a second steel plant in Orissa; (iv) the news coverage by All India Radio and the Films Division of the Ministry of Information and Broadcasting; and (v) the demand for granting statehood for Manipur. The government was severely criticised on most of these issues.

Unemployment Position

During the discussion on the unemployment situation, many an opposition member pointed out that the government did not have even a precise estimate of unemployment in the country which was growing day by day. They assailed it for not having any target date for providing employment to all able-bodied persons. Demands were made for making available an employment dole and inclusion of the right to work in the fundamental rights guaranteed by the Constitution. It was also suggested that the fourth Plan should be reoriented on an emergency basis for reducing unemployment. The Minister for Labour, Employment and Rehabilitation, Mr D. Sanjivayya, could not but concede that the backlog of unemployment was mounting. His efforts to blunt the edge of the criticism of the opposition by suggesting that the estimates of unemployment could not be precise due to the wrong methodology adopted hitherto (as pointed out by the Dantwala Committee) hardly succeeded. The Minister, however, assured the House that the fourth Plan was being reviewed to give it an employment orientation. Special allocations were being made for labour-incentive schemes. An employment commission in the Cabinet Secretariat was working out, in co-operation with the Planning Commission, schemes which would provide larger job opportunities. Mr Sanjivayya candidly admitted that all this, of course, would not eradicate unemployment; it would only reduce its magnitude. Provision of full employment, he stressed, would have to be kept as a somehwat long-term goal. He rejected the demand for an unemployment dole and the inclusion of the right to work in the fundamental rights.

As regards prices, among the causes responsible for the recent uptrend were mentioned not only the shortage of commodities but also heavy doses of deficit financing, money expansion (specially due to the nationalised banks giving advances for consumption purposes), etc. The Jana Sangh leader, Mr A.B. Vajpayee, even alleged that there had been an increase in prices because of "political reasons". Detailing the steps the government was taking to check rise in prices, Mr Chavan pointed out deficit financing was being kept under control; the overall deficit in 1969-70, he revealed, was much lower than the earlier estimates. Squeeze on credit for speculative activities, Mr Chavan added, was being applied and would continue to be applied. Mr Chavan refuted the charge that there had been any undue expansion in money supply, as also the allegation that there were any political reasons for rise in prices. If a balance was achieved on agricultural production, procurement of foodgrains and the credit, investment and the export policies, he hoped the price level would take care of itself. He, however, admitted that the short supply of industrial raw materials had been a contributory factor to the uptrend in prices in the recent past. Mr Chavan rejected the suggestion for setting up a price control board.

Criticism of AIR

Scathingly criticising the news coverage by AIR and the Films Division, several opposition members objected to the way the Prime Minister's speeches were being relayed by the former and the making of a documentary on the communist - inspired land grab movement by the latter. This, they argued, reflected the partisan attitude of the government. The Minister of State for Information and Broadcasting, Mr I.K. Gujral, sought to defend the working of AIR and the Films Division by pointing out that the news coverage by the two media was guided by the importance of the events, but the critics apparently were not satisfied. Some of them even quipped that efforts were being made by the government to influence newspapers in its favour.

The demand for a second steel plant in Orissa received wide support in both the Houses from all the sections, but the Minister for Steel and Heavy Engineering, Mr B.R. Bhagat, did not accept it. He only assured the members that Orissa's claim for a second steel plant would certainly be considered in the selection of sites for the future steel plants. The Minister denied that there had been any political motive in deciding about the establishment of steel plants at Visakhapatnam, Salem and Hospet.

As regards the demand for statehood for Manipur, the Minister of State for Home Affairs, Mr K.C. Pant, assured the two Houses that the government

had an open mind on the issue such matters as the economic viability of the state, however, had to be considered. To this, the reply of those who favoured the grant of statehood to Manipur was that Nagaland and Himachal Pradesh had been granted statehood though they were hardly economically viable.

The decision of the government to have consular ties with the German Democratic Republic, announced this week, had a mixed reception. While the communist members felt that the decision left much to be desired inasmuch as the diplomatic relations were not raised to the ambassadorial level, the members belonging to the Jana Sangh, the Swatantra Party and the SSP stressed that diplomatic relations ought to be established with Taiwan and Israel also. The External Affairs Minister, however, rejected the plea in regard to Taiwan; India, he said recognised only one China — the People's Repblic of China. About Israel, he said, that we had already recognised this country. The exchange of ambassadors with Israel at present, he felt, would not serve any useful purpose. The establishment of consular relations with the GDR, Mr Swaran Singh explained, was the correct thing to do in the present context as our relations with this country, especially trade and economic relations, had grown strong during the past few years.

Concession to Disabled

Two Select Committee reports were presented to Parliament this week — one to the Lok Sabha and the other to the Rajya Sabha. In its report to the Lok Sabha, the Select Committee on the Taxation Laws (Amendment) Bill, 1969, has suggested increasing from Rs 2,000 to Rs 4,000 the quantum of reduction in computing the taxable income of a resident individual "who is totally blind or who suffers from any other permanent disability." The committee has also recommended that the existing precedence for the registeration of partnership firms should be continued with a "few modifications" so as to remove some of the practical difficulties.

Under the amended definition of "agricultural income", the committee has suggested that municipalities and cantonment boards having a population of 10,000 and areas adjoining them should be treated as "essentially rural in nature." A uniform limit of eight kilometres "will not be appropriate as the extent of urbanisation of areas adjoining such municipalities or boards varies from municipality to municipality." It has, therefore, recommended that income attributable to farm buildings situated in muncipalities and boards should be regarded as agricultural income.

Recommending modification of the new scheme of tax exemption of foreign technicians employed in India, the committee has suggested that technicians with specialised knowledge and experience in industrial or business management techniques or in distribution of electricity or any other form of power or in poultry farming, should "not be entitled to any exemption from tax in respect of their remuneration." In the case of other technicians, the period of exemption up to Rs 4,000 a month will stand reduced from 36 months provided in the Bill to 24 months. The committee has further suggested that the new provision in the Bill for exemption of tax on any subsidy received in the case of tea industry under any scheme for re-plantation of tea bushes made by the union government should be extended to cover any subsidy received for replacement of tea bushes under any scheme of the centre.

Provision for Imprisonment

The committee has recommended rigorous imprisonment up to one year for 'wilful failure' to furnish returns of income, whether voluntarily or in response to a notice by the Income Tax Officer. It says that failure to furnish returns or produce documents should be made punishable only when such failure "is wilful". For defaults in producing accounts books and other documents called for by notice, the committee feels that ordinarily the punishment for such defaults should be rigorous imprisonment up to one year or fine or both.

The report of the committee is not unanimous. In his minute of dissent, Mr N. K. P. Salve says that it is "undue discrimination" to tax "converted properties" of Hindu joint families. If this discrimination had worked only against the rich and affluent joint families, Mr Salve adds, he would not have dissented. But it would mainly work against members of Hindu joint families who have meagre and limited resources.

Mr N. Dandekar and Mr N. K. Somani in their minute of dissent have opposed the withdrawal of allowance of expenditure on shifting industrial undertakings. Such a concession, they feel, is necessary to encourage dispersal of industry from highly industrialised regions of a state to less developed areas within the state or to less developed areas in other states.

In its report to the Rajya Sabha, the Select Committee on the Code of Civil Procedures (Amendment) Bill has recommended a comprehensive review of the code taking cognizance of the changes that have overtaken the social structure of the nation since the legislation was first enacted 62 years ago. The committee has noted that during the course of evidence tendered before it, various defects and lacunae were brought out. The consensus in the committee was that the Bill actually "touches only a fringe of the problems it professes to solve and has left out many matters which need attention".

Discouragement to Speculators

The Finance Minister clarified in the Rajya Sabha the recent decision of the union government in regard to bank advances against shares of industrial companies. The public sector banks, he announced, would be asked to insist on transfer to their names of shares pledged with them by borrowers with overdrafts limits exceeding Rs 50,000. This, he said, had been decided upon as a measure to discourage the use of bank finance by operators to corner shares and acquire control over well-managed companies. The banks, Mr Chavan further revealed, had been asked to refuse to give proxies at the request of the borrowers as a matter of course as had been the case in respect of such pledged shares hitherto. "The banks will keep the voting rights with themselves to be exercised at their discretion keeping public interest in view. The Reserve Bank will ensure that a similar policy is followed by non-nationalised banks."

Two bills were adopted by the Lok Sabha this week. These were : (i) the Contract Labour (Regulation and Abolition) Bill, which aimed at eradicating the abuses of contract labour by unscrupulous employers and contractors; and (ii) the Delhi Shops and Establishments (Amendment) Bill, which sought to improve the working conditions of the employees in shops and establishments in the capital. The Rajya Sabha adopted four bills. These were : (i) the Delhi Shops and Establishments (Amendment) Bill; (ii) the Indian Medicine and Homeopathic Bill, which sought to constitute a Central Council of Indian Medicine—Ayurved, Sidda and Unani; (iii) the Delhi University (Amendment) Bill, which sought to replace an ordinamoce promulgated on June 20 permitting the Delhi University to allow students residing in Delhi but who had failed to get admission in colleges, to reappear for the B.A. (Pass) course examination as private students; and (iv) the Army, Air Force and Naval Law (Amendment) Bill, which aimed at enabling the families of the deceased defence personnel to dispose of the estate of the deceased up to the value of Rs 10,000 without production of succession certificates. (Hitherto this limit was Rs 5,000 only).

WINDOW ON THE WORLD

Realities of International Trading

E. B. BROOK

VIENNA:

WHILE THE running agument between the United States and Europe's Common Market over the flexibility of exchange rates continues and their systems of import duties and export subsidies complicate their trade in farm products it is worth while looking at the realities of international trading as it has developed since the war, in the last quarter century.

Both the Common Market and the United States are straining their ingenuity to preserve their consumer markets from being under-sold or over-supplied by the other party. The situation is in many ways an almost unaltered copy of the protectionist-free trade wrangles that dominated British and European politics in the later years of the last century.

The difference is that, on the European side at least, protection is sought through devices other than tariffs, essentially by regional harmonization within an economic group. It is worthwhile examining how far regional harmonization can, in the long run, hope to prevent the flow of trade from corresponding to the requirements of consumers and the needs of producers to sell. At the present time, consumer goods prices are rising steadily in west Europe (in EFTA as well as Common Market countries) because of tariffs, taxes and other imposts specifically designed to hold producers' profits at not less than their present very adequate level.

Austria's Experience

Austria, an EFTA country, now has this experience with the prices of butter, milk and margarine going up in a country that acknowledges that its dairy farming is heavily excessive but where the government meets stubborn opposition from farmers loath to divert part of their dairy farming to production of meat for the market. As a result of this and similar developments, both the Market's and EFTA's efforts to lower the cost of living by reducing tariffs and the work of the Kennedy Round on tariffs and prices are being eroded almost to nil by subsidies to the least adaptable industrial sector, agriculture, and by increasingly excluding much cheaper supplies from elsewhere. In many west European countries the prices of many home-produced articles are higher than those of imports. In Austria, for example, the simple product honey sells 40 per cent more expensively than honey imported from neighbouring Hungary and 35 per cent dearer than honey from the USA.

Not less important is the question how far the Common Market's regional harmonization can hope to prevent corporate penetration from outside the Market area. Tariff barriers, border taxes and progressively harmonized fiscal and social insurance systems no longer have the strength or adaptability to deter foreign penetration, especially in the capital intensive industries.

The effectiveness of penetration by these industries cuts both ways across the Atlantic. British Bowater Paper is a major industry in its line in the USA, the French have a large share in several sectors of America's fruit and vegetable canning industry. In the Common Market area major enterprises of Britain, Sweden, Switzerland as well as many from the USA are firmly entrenched and expanding, often more aggressively than home-based industry, of which a sizable part is short of essential capital.

Cutting Both Ways

National groups that seek to protect their industries fight, increasingly hopelessly, also against the flexibility and dymanics of the increasing varieties of international corporations. In the last 20 years international joint ventures and international subsidiaries have become the pattern of almost half of major industry. This network spreads over the United States and over almost every country in western Europe. Standard Oil of New Jersey has 20 jointly-owned companies with British, Dutch, French, Italian and Spanish companies as subsidiaries. Shell has joint ventures with more than 20 companies, including some of its competitors, and the British ICI has a whole network of subsidiaries under its holding company ICI Europa and joint ventures with German, Belgian, Swiss and several US companies.

In the Common Market area itself during the past two years 70 per cent of joint ventures have been undertaken with firms outside the area. Outstanding examples are the Belgian-UK link through Solvay-Laporte and the Italy-UK link through Dunlop-Pirelli. Agfa of Germany is a subsidiary of Bayer which has vast joint interests outside the Common Market, Fiat of Italy has links outside the Market in east as well as west Europe and there are endless new techniques and variations in method which legally circumvent restrictions imposed by Common Market governments. The same is true of the adaptability of US companies in legally rendering ineffectual many Congressional restrictions. It is no longer possible reasonably to speak of west Europe organising to compete with US economy because the two are intimately, in organisation, structure and finance, linked and involved

Added to this multi-national industrial organisation complex which transcends frontiers and continents is the exploding growth of multinational banking firms with a host of activities beyond formal banking. The Common Market itself is host to over 40 American banks. US banks, in fact, are now established in 104 countries and British banking, still the largest group in the field, is long since firmly established within the Common Market. The growth of multiple international ventures in banking is one of the most rapid current commercial developments.

All these financial and industrial groupings and the reverse flood of European firms to the USA make something approaching nonsense of the idea of regional concentration; within a few years nearly a quarter of the US gross national product will derive from subsidiaries of European and Japanese firms. For this and other reasons of European investment and banking growth in the USA any threat of retaliation by the US government against Common Market firms in the USA would damp down any damagingly protectionist ideas of Eurocrats in Brussels or of the French government very quickly.

One Another's Hostages

Nation States and international economic groups have, while the latter have grown up, become one another's hostages because of the importance of the interlocking investments of their own major companies. The global corporation strides over many frontiers. Antiquated protectionism designed to shield such marginal sectors of the international economy as agriculture and textiles has lost any chance of being effective because none of these industries have any considerable foreign investment and are, for this reason, unable to influence the policies of either modern industry or of supra-national political institutions. The inter-dependence of modern economics and their interlocked interests have wiped out the effectiveness of political action by exclusively home industries which are now limited to being no more than a nuisance when they choose to be obstructive, with all the risks that go with being a nuisance ineffectively.

With ITC, import substitution and self-reliance are a tradition and a conviction

India Tobacco Co. Ltd. and its sister organisation and tobacco supplier, Indian Leaf Tobacco Development Co. Ltd., have followed a positive policy of import substitution and self-reliance in every aspect of their operations—for years.

Pioneers in manufacturing and self-sufficiency, they have actively encouraged and assisted the formation and development of a number of small and middle sector ancillary industries, manufacturing process machinery and all material required to pack and present cigarettes to the public.

This assistance, made at a time when virtually no restrictions on imports existed, has included technical knowhow and expertise obtained from abroad, research and development facilities, facilities for fabrication of process machinery, guarantees of offtake, and, where necessary, indirect financial assistance.

The result: all originally imported, board for making packets has been locally available since 1945, cigarette paper since 1951, aluminium foil since 1954, transparent film for wrapping packets since 1957, corrugated card board boxes for transportation since 1962 and filter tips since 1963.

ITC extended similar facilities to Indian manufacturers, who have as a result been fabricating spare parts since 1963 for primary and secondary tobacco manufacturing machinery—today almost all primary and some of the secondary machinery are also being made in India.

India Tobacco Co. Ltd. and Indian Leaf Tobacco Development Co. Ltd. together started the cultivation of flue cured virginia tobacco in India in 1920, thereby making a permanent and continuing contribution to a self-reliant economy.

Today, the cigarette industry is almost totally self-sufficient largely due to India Tobacco's near singlehanded and dedicated efforts to this end.

India Tobacco Company Ltd.

The moving finger writes

IF MR Swaran Singh believes that he has not become his country's Foreign Minister in order to make enemies for her in the more powerful capitals of the world, I, for one, would rather applaud him. The trouble he had with Parliament last week with respect to Soviet maps of Indian territory, however, was not entirely unmerited. For such an astute politician as he there could hardly have been any justification for walking so clumsily right into so obvious an Opposition trap. Confused as our contemporary politics may be, it is at least crystal-clear that the non-communist Opposition parties, barring one or two groups, cannot be expected to let go any opportunity of attempting to convict the present government of being subservient to the rulers of the USSR. It was therefore certainly maladroit on the Foreign Minister's part to refer in such fulsome terms to the friendliness of the Soviet government while explaining our government's position with regard to the impugned maps.

I am not suggesting here that the Soviet government is not a friendly government, as diplomatic friendships go in today's world politics, nor would I dream of arguing that it is not the business of our diplomacy to keep what friends we have for what their friendships are worth. But there is a time and place for everything and Mr Swaran Singh certainly did not display his usual perspicacity when he failed to judge rightly the parliamentary situation faced by him and, thereby allowed himself to commit the blunder of almost committing the government to the impossible position that the Soviet maps, to the extent that they provided an occasion for New Delhi to elicit renewed assurances of friendship from Moscow, were virtually to be regarded as yet another expression of the USSR's goodwill towards our country.

* *

Talking of foreign ministers and foreign affairs, it strikes me that there is as much make-believe in the art of diplomacy as it is being practised as there is in that other art, the art of black magic. It is surely futile for any government to refuse to recognise some other government even when the latter is in effective possession and control of the territory it claims to be ruling. Occasionally, very occasionally, there may be justification for this game of non-recognition, as, for example, when any particular government, through some act of commission or omission on its part, has placed itself beyond the pale. The case of South Africa is an obvious illustration. Again, it is of course only reasonable that, when two governments have been engaging themselves in hostilities against each other, they must find it extremely difficult to maintain mutual diplomatic relations, although, curiously enough, countries have been known to continue to have diplomatic relations with each other even when a war of some kind or the other is being fought between them — as for example, Pakistan and India or China and India. Taking all this into account, I have always felt that it is more than a little odd that there should be an absence of normal diplomatic relations between Israel and our country or between the GDR and our country.

It follows that the Government of India's recent decision to upgrade this country's diplomatic relations with the Government of the GDR from the level of Trade Representation to that of Consulate-General is, in my view, a step in the right direction. Indeed, even if only the scale and quality of our trade and other economic relations with the GDR are to be considered, it is obvious that this limited move at least should have been made much earlier. Here, surely, is a true case of "better late than never."

On this happy occasion, my personal felicitations go to the indefatigable Dr Herbert Fischer and his extremely amiable wife. The Head of the Trade Representation of the GDR in India has been truly labouring over long and lonesome years, with a faith that moves mountains, for the establishment of full and regular diplomatic relations between his country and ours. Although his mission remains to be completely fulfilled, his efforts have succeeded to an extent which must be gratifying to him and his government. Even the worldly-wise men in Bonn ought not to find it too difficult to view this development as an inevitable and not necessarily disagreeable happening in the long perspective of the restoration of the unity of the German nation.

* *

The discussion of the "nationality" of that premier engineering firm, Larsen and Toubro, to which we have been treated by the Department of Company Affairs, has a wholly farcical quality to it. To me what matters is that this remarkable pair of Danish entrepreneurs have given our national economy one of its most valuable industrial assets and through their grand vision of a developing India—a vision backed by their dynamism, superb technical prowess and sheer hard work—have brought the blessings of modern technology to vital areas of investment and production. That, as a public limited company, Larsen and Tourbo had thrown open its shares to public subscription in this country and is thus in an important sense an Indian company naturally adds to my happiness and if some one in the government still feels distracted by the thought that Mr H. Holck-Larsen and Mr S. K. Toubro happen to have been born in Denmark and are Danish nationals, I suggest that the best thing to do is to offer them respectfully the status of honorary Indian citizenship. This would be as fitting a gesture as any of recognition on our part of the great services which these captains of industry, come from a distant land, have rendered to our national economy.

* *

The efforts of some politicians belonging to the Muslim community to organize a national communal political organization, — invoking inevitably the ghosts of the Muslim League of infamous memory — are surely not in the interests of this community. To the extent that this move has a "self-defence" aspect to it, it must no doubt prompt some heart-searching among the Hindu community generally and the various political parties which have no desire to see the unholy rebirth of a political confrontation between Hindus and Muslims across the land. But the misguided Muslim politicians, who have clearly started thinking in terms of such a confrontation, can have no justification for failing to realize what the consequences are likely to be for the men and women of the community which they foolishly seek to serve in this manner or by these means. Aberrations of occasional communal rioting apart, much the greater part of the country or its people is genuinely interested in protecting the integrity of the national community in terms of a shared citizenship of all its members. It would be unfortunate, indeed, were the frustrations or even the fears of the moment to lead a small number of men of narrow vision to try to frustrate this vital process. V.B.

Trade Winds

DIRECT TAXES COMMITTEE

THE MINISTRY of Finance has announced the reconstitution of the Central Direct Taxes Advisory Committee, which advises government on measures for developing and encouraging mutual understanding and co-operation between taxpayers and the Income-tax Department and removing administrative and procedural difficulties of a general nature. The Minister of Finance, Mr Y. B. Chavan, is Chairman of the Committee and the Minister of Revenue and Expenditure, Mr V. C. Shukla, is Vice-Chairman. The committee includes four Members of Parliament: Messrs S. N. Misra, Maddi Sudarsanam, S. G. Saboo and N.K.P. Salve. It has two ex-officio members : President, Federation of Indian Chambers of Commerce & Industry (Mr D. C. Kothari); President, Associated Chambers of Commerce & Industry of India (Mr Keshub Mahindra). There are six other non-official members: Messrs Sanat P. Mehta, Advocate, H. P. Dhondy, Chartered Accountant, B. D. Kapur, New Delhi, Harshad M. Patel, Ahmedabad, K.L. Varadarajan, Coimbatore and A. N. Haksar, Calcutta. Three official members are: Secretary, Ministry of Finance (Department of Revenue); Chairman, Central Board of Direct Taxes; Member, Central Board of Direct Taxes. The term of office of the Members of Parliament nominated to the committee is two years or till they cease to be Members of Parliament, whichever is earlier. The term of office of other non-official members is also two years. The committee normally meets twice a year in New Delhi or other important centres such as Calcutta, Madras, and Bombay.

MONOPOLIES COMMISSION

The union government has set up the three-member Monopolies Commission. Mr Justice Alagiriswamy of the Tamil Nadu High Court has been appointed Chairman of the Commission. The other two members of the Commission are Mr D. Subramaniam, Director of Inspection, Income-Tax and Audit, and Dr K. H. Paranjape, former member of the Industrial Licensing Policy Inquiry Committee. Mr D. P. Roy, Deputy Secretary, Department of Company Affairs, will act as Secretary to the Commission. The chairman and members will hold office for five years. The Monopolies and Restrictive Trade Practices Act, under which the Commission has been set up, came into effect on June 1. The government may refer to the Commission applications from the bigger industrial houses for expansion or the setting up of new units. The Commission can also be asked to examine whether take-over bids and proposed mergers will be in the public interest.

COTTON TRADE TAKE-OVER

The representatives of business and trade organisations in northern India met recently at the Federation House, New Delhi, under the Chairmanship of Mr D. C. Kothari, President, FICCI. Mr Madanmohan R. Ruia, President, East India Cotton Association, Bombay, stated at the meeting that the government's latest policy would disrupt the cotton trade channels, the mill industry and the cotton grower and all this would adversely affect the consumer. Moreover, the policy relating to the cotton trade may well be followed in respect of other trades and industries with serious consequences to the economy and the way of the life of the people. Mr Babubhai M. Chinai, MP, former President of the Federation, explained the implications of the policy and the need on the part of political parties to evolve economic decisions on the basis of detailed consideration.

I.F.C. AID FOR PUBLIC SECTOR

The Industrial Finance Corporation of India has now been authorised to entertain applications for financial assistance from public sector undertakings (irrespective of the extent of government's shareholdings in them) on the same basis as applications from private sector concerns. All public sector undertakings which are incorporated as public limited companies are, therefore, eligible to apply to the corporation for financial assistance for expansion, modernisation or diversification, or for the setting up of new projects. Under the existing provisions of the Industrial Finance Corporation Act, the corporation is authorised to extend financial assistance only to public limited companies or co-operative societies. The facilities offered by the corporation include (i) loans in rupees and foreign currencies, (ii) subscribing to and underwriting of equity, preference and debenture issues, (iii) guaranteeing deferred payments for machinery imported or purchased within the country, and (iv) guaranteeing foreign currency loans raised from foreign financial institutions.

SMALL CAR PROJECT

The union government has approved in principle the small car project. The details of the scheme are still to be made public. The small car is likely to be in the public sector and it will be with foreign collaboration. Funds for the project will be raised from public financial institutions which now include the nationalised banks. The project envisaged by the Ministry of Industrial Development will involve a capital investment of about Rs 25 crores and will eventually turn out about 50,000 cars every year.

FREE SUGAR MOVEMENT

By an order issued recently the union government has removed the restrictions on inter-state movement of free sale sugar by trade. The existing restrictions on inter-state movement of levy sugar will continue.

NORWEGIAN GRANT

Norway has made a grant of Rs 3.77 crores for the purchase, insurance and transport of fertilizers to India during the next three years. An agreement for this was signed between the two countries in New Delhi. During 1970, the Norwegian government will supply CAN fertilizers and in 1971 they will provide urea. The quantity and type of fertilizers for 1972 will be decided later. The rupee value of the fertilizers will be used in India for development schemes to be mutually determined by the two governments.

PACKED TEA EXPORTS

The government is considering the formation of a public sector corporation to look after exports of packed tea. A decision is expected to be taken soon. This was announced recently by Mr L. N. Mishra, Minister for Foreign Trade, at the meeting of the Consultative Committee for his Ministry. The suggestion to set up a public sector corporation for packed tea exports had been made by a sub-committee of the Consultative Committee in March. Apart from the sub-committee's recommendation, the government is also considering the formation of an agency to blend and market packed tea abroad, in co-operation with the Ceylon government. Both countries propose to set up a consortium for this purpose but no concrete steps have yet been taken.

SMALL DRUG UNITS PROTECTED

The union government has recently amended the Drugs (Prices Control) Order, 1970 and taken power to exempt

any drug manufacturing unit or a class of units from the operation of all or any of the provisions of the order. The factors which will be taken into consideration while granting the exemption are specified in the amendment order. The government has clarified that power has been taken primarily to protect the interests of the small-scale sector.

BEER OUTPUT

Letters of intent had been issued to 12 parties in different states for the manufacture of beer for a total capacity of 540,000 hectolitres. The breweries are proposed to be located in Bihar, Maharashtra, Orissa, Delhi, Haryana, Andhra Pradesh, Rajasthan, Kerala, Punjab, Madhya Pradesh, Jammu and Kashmir and Pondicherry. No industrial licence, however, had been yet given.

CEMENT CONTROL

The Deputy Minister for Industrial Development ruled out recently any change in the present system of controls on the distribution and prices of cement to meet some (temporary) shortages of the commodity in some parts of the country.

RADIO INDUSTRY

The question of reservation of radio industry for the small-scale sector was under the consideration of the government. The production of radios in the small-scale sector during 1970, he said, was expected to be about 1.2 million numbers. The production in the large-scale sector was likely to be 1.7 million units.

M.M.T.C. CONTRACTS

The Deputy Minister for Foreign Trade, Chowdhary Ram Sewak, informed the Rajya Sabha recently that the Minerals and Metals Trading Corporation had concluded sale contracts for the export of about 1.5 million tonnes of iron ore to Czechoslovakia, Poland, Hungary and Bulgaria—Bulgaria was a new buyer. These contracts, the deputy minister added, were in addition to the contracts concluded earlier with Rumania and Yugoslavia for the export of 1.6 million tonnes of iron ore during 1970. Negotiations with the German Democratic Republic for the supply of about 5,00,000 tonnes of iron ores were also in progress.

JOB-ORIENTED PLAN

The Minister for Labour, Employment and Rehabilitation, Mr D. Sanjivayya, indicated recently that the fourth Plan schemes were being reviewed to see that more employment opportunities were created during the period to 1973-74. Besides the proposed general review of the Plan, the minister added, 40 more industries were being reserved exclusively for the small-scale sector so that more employment opportunities could be created. The minister further stated that rural electrification, minor irrigation and similar other schemes were being given importance.

TURBO-GENERATORS BY B.H.E.L.

Bharat Heavy Electricals, Hyderabad, have successfully carried out recently a trial run of the first 110,000 kW hydrogen-cooled turbo-generator (3000 rpm) manufactured at their works with the collaboration of Messsrs Skodaexport, Czechoslovakia. This generator is the largest of its kind to be manufactured and completed for the first time in this country. It embodies the latest design features and rated guaranteed efficiency of 98.42 per cent which compares very favourably with the best generators manufactured anywhere in the world. It has a total weight of about 146 tonnes and an overall length of 12.6 metres.

PROGRESS OF AVIATION

A 15-year three-phase programme for development of four international airports at Calcutta, Delhi, Bombay and Madras has been drawn up by a Committee on International Airport so that they remain on the mainstream of international air traffic by meeting the requirements of new generation of aircraft. A Rs 40.45 crores programme based on this master-plan for immediate renovations and extensions of aerodromes and long-term plans for building new terminals has been included in the fourth Plan. The jumbo jets—the large capacity planes with a carrying capacity up to 400 passengers introduced by the airline, a feat of the technological advances in aircraft design—is only the first of the new generation of planes. The jumbos will soon be followed by the high speed supersonic aircraft for which no two points on the globe will be further than 12 hours flying time. The completion of Rs 2 crores new international air terminal building at Calcutta early this year is the first phase in the development of airport terminals. For the airports at Delhi, Bombay and Madras works costing Rs 2.10 crores have been sanctioned for immediate modification to the existing terminal buildings on the basis of recommendations of International Airport Committee.

HINDUSTAN STEEL EXPORTS

Exports of Hindustan Steel Ltd have jumped from Rs 1.1 crores to over Rs 45.4 crores in just six years. Exports of iron and steel by HSL since 1964-65 are as follows:

Year	Quantity (in '000 tonnes)	FOB Value	
		In crores Rs	As % of country's total exports of iron & steel
1964-65	25.5	1.14	31.8
1965-66	53.5	2.22	38.0
1966-67	268.7	9.22	46.1
1967-68	805.1	30.90	57.8
1968-69	1031.0	41.54	60.0
1969-70	894.6	45.43	60.0

HSL is now exporting to more than thirty countries to six continents, including some highly industrialised nations. Products exported also cover a wide range of items conforming to strict international quality standards. Most of the orders were secured against severe competition from internationally reputed concerns with many years of experience in iron and steel trade. To meet the challenge posed by shifts in the pattern of demand of the traditional markets, the company is constantly in search of new markets, striving at the same time to broaden its range of exports to include new items of production thrown up from its expanding plants.

Among the notable achievements of HSL in the field of exports is procurement of orders for rails from Sudan, Malaysia, Ghana, Iran, Turkey, New Zealand and Korea.

COCHIN SHIPYARD PROJECT

This country will soon finalise an agreement for technical collaboration in the preparation of designs, drawings, specifications and consultancy for the construction of the second shipyard at Cochin in Kerala state. The Hindusthan Shipyard at Visakhapatnam is also being expanded and after the implementation of its development programme, the Hindusthan Shipyard will be in a position to build 5 or 6 ships per year. As shipbuilding industry is a necessary concomitant of a maritime state with a long sea frontier with an expanding national merchant fleet, the need for second shipyard project was felt as early as the second five-year Plan when an allocation of Rs 75 lakhs was made for preliminary expenses. It was the UK Shipyard Mission which after visiting a number of sites in the country in 1958 recommended Cochin as a most suitable location for the second shipyard. An inter-departmental committee which examined the report

of the UK shipyard mission endorsed this recommendation.

The size of ships to be built in the Cochin shipyard was reviewed in the light of the current world trend in the size of bulk carriers/tankers, the pattern of India's seaborne trade, the port facilities expected to be available in India and the future requirements of Indian shipping. The world trend in bulk carriers is towards vessels of 66,000 DWT and above. The Indian shipping companies also expressed their preference for bulk carriers and tankers of 66,000 DWT and above. Considering these factors it was decided to build in the Cochin shipyard bulk carriers of 66,000 DWT class. The shipyard is also to provide facilities for the dry docking and repair of ships. By 1981 the total number of ships in the Indian register is expected to increase by about 150 of which half will be bulk carriers and tankers. Of these the number of over 66,000 DWT carriers will be about 30. In view of this it was decided to construct in the shipyard a repair dock to accommodate ships upto 85,000 DWT. The shipyard is expected to cost Rs 45.42 crores with a foreign exchange component of Rs 5.63 crores.

HEAVY WATER PLANT

The Prime Minister, Mrs Indira Gandhi, told the Rajya Sabha on August 6 that an offer had been received from a Danish firm to undertake on a consultancy basis a study of various alternatives for setting up a heavy water plant, possibly at Tuticorin in Tamil Nadu.

NAMES IN THE NEWS

Mr V. W. Good, Deputy Chief Representative, the Burmah Oil Group of Companies in India, New Delhi, presently acting as Chief Representative, during the absence on leave of **Mr J. C. Finlay**, has been appointed to the newly created post of Chief Representative of the group for south and east Asia and the far east, with headquarters in Singapore. The Group's representation in the far east has been further strengthened by the appointment of **Mr E. W. Humphreys**, presently Finance Manager, the Assam Oil Company Ltd, Digboi, as Deputy Chief Representative. Mr Good is expected to take up his new assignment in the third week of September. As Burmah's Chief in the south east Asia and far east Asia, Mr Good will be responsible for Burmah-Castrol investments and trade operations in 14 countries including, Republic of Singapore, Malaysia, Indonesia, Thailand, Cambodia, Laos, Vietnam, Hong Kong, Macao, Taiwan, Republic of Korea, Japan, Okinawa, and the Philippines. While in Delhi, Mr Good is a Director of Oil India Ltd, a 50:50 partnership venture of the Government of India and the Burmah Oil Co. Ltd, concerned with the development of indigenous sources of crude. He is also a Director of the Tinplate Company of India Ltd, in which Burmah Oil has over 60 per cent equity holding.

Daniel P. Reid—TWA employee since 1946 and most recently regional Vice-President, New York, has been named Vice-President, sales and services for Trans World Airlines, replacing **Thomas F. Huntington**, who has resigned. In making the announcement, **Blaine Cooke**, Senior Vice-President, Marketing, said that a successor to Mr Reid as Vice-President, New York region, will be appointed within a few days. Mr Reid's name will be submitted to TWA directors at the next board meeting for election as a corporate officer.

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INDIA TODAY

Another August Fifteenth

THE EDITOR

EVEN AS we have commercialized our religious festivals, we have politicalized our national occasions. This year again the Prime Minister of the day gets the usual opportunity to speak to the people from the ramparts of the Red Fort on great and noble themes such as national integration or self-reliance in economic development. Mrs Gandhi, however, must feel in the lonely sadness of her heart that the Prime Minister of India no longer speaks for the whole people even on their national days. Such is the fragmentation of our public life or political affairs today.

The question of responsibility for this development has been discussed threadbare over the last 12 months. Inevitably the debate has got on to be acrimonious further befouling the political atmosphere poisoned by the schism in the Congress organization. It is clear that no useful purpose will be served by the continuance of this particular controversy in a spirit of recrimination, for this could only encourage further the baneful negativism among the various political parties. The people clearly have lost patience with the quarrels of politicians.

On the contrary the more thoughtful among them have already started thinking of what is likely to be in store for the nation after the next general election. The momentous issue which we must all face here and now is the issue of political stability at the centre. As things are, it is most unlikely, indeed, that any single political party or even any simple combination of two political parties will be able to command an effective majority in Parliament. The separate numbers of the two Congress groups in the new Lok Sabha may well add up to very much less than the total of seats which a united Congress party had secured at the last general election. In these circumstances, it would not matter much which of these two rival groups of warring Congressmen manage to become the largest single party in the new legislature. The point is that everything points to a government of a coalition of a number — possibly three, probably more — of political parties. The formation of such a coalition may well be the condition of the survival of effective government at the centre.

It is clearly in the interests of the people of this country that the coalition which may thus come to function in New Delhi should be a coalition of parties which are collectively and severally pledged to the democratic way of life and the peaceful and orderly economic development of the country. National unity, as it could be interpreted or understood at this moment of time in our country's history, can have practical meaning only in these terms. It follows that political leaders who honestly desire to serve the country should be prepared to subordinate narrow party considerations to the overwhelming national need for the formation of viable political groupings which would help to stabilise government at the centre, strengthening the morals, manners and machinery of the parliamentary democracy.

Is Multiplicity of Parties Suited to India ?

DR A. APPADORAI

IN A recent speech at Bangalore, Vice-President Pathak advised our political elite to evolve a two-party system in the country. The press report did not elaborate the reasons given by the Vice-President, nor did it indicate the steps by which a two-party system might be evolved. I have no doubt, however, that it is an excellent piece of advice coming from a distinguished constitutional expert; will our political leaders listen to, and implement, it?

Our party system, as it is, is in a chaos. The chaos is there for all to see: a 14-party United Front is formed in West Bengal and soon discovers it cannot work together. Parties split: the Congress, the socialists, the communists, and even the Akalis have two or more groups, members of each group having shifting loyalties. A national democratic front is proposed by Congress (O) and it is soon discovered that the proposal cannot be carried even within the Congress (O) itself, and the two parties (Swatantra and Jana Sangh) which had more or less agreed to the proposal are chagrined at the outcome. Thinking that a 'rightist' front might be formed under the auspices of Congress (O), George Fernandes, General Secretary of the SSP, initiates proposals for a leftist front, and invites some 18 parties for a discussion on the subject. The (then) Socialist Party and the Praja Socialist Party merged to form the SSP in July 1964; but that merger ended on January 31, 1965, with the PSP and the SSP now functioning separately. It is time that the philosophy of the party system, in the context of a parliamentary democracy, is reflected over by those who work it.

A Political Aim

What is a political party? A political party is a more or less organized group of citizens who act together as a political unit, have distinctive aims and opinions on the leading political questions of controversy in the state, and who, by acting together as a political unit, seek to obtain control of the government. It is based on two fundamentals of human nature: men differ in their opinions, and are gregarious; they try to achieve by combination what they cannot achieve individually. Religious and communal loyalties, and the attachment to a dynasty or leader, also help parties to develop. Party enthusiasm is maintained by such elements of human nature as sympathy, imitation, competition and pugnacity.

Parties fulfil certain necessary functions, so necessary, indeed, that many competent thinkers consider them essential to the working of representative government. They enable men and women who think alike on public questions to unite in support of a common body of principles and policies and to work together to see that those principles and policies are adopted by the government of the day. In the mass and without organisation, the people can neither formulate principles nor agree on policy. Parties make articulate the inarticulate desires of the masses. Out of the innumerable problems which call for solution in a state, they select those which are the more urgent, study them, think out solutions and present them to the people. They act, in Lowell's phrase, as the brokers of ideas. They preserve a sense of community in public policy. They organize and educate the electorate, and help to carry on elections. They dramatize politics and keep the nation politically alive. They sometimes help to discover ability although only as part compensation for the repression of other abilities. Under a two-party system, moreover, they help to maintain a keen and responsible opposition which puts the government on its mettle, and induces in it the strength and confidence necessary to enable it to plan long-term policies.

Party System

This is what may be called the theory of the party system; the question for our discussion is how far our parties fulfil their functions? It is true that, as successive reports of the Election Commission have pointed out, parties have done real service in the political education of the electorate.

But any observer of the contemporary political scene can see that two evils have crept in our party system which must be cured as soon as possible if the political health of the nation is to be restored.

The first is the multiplicity of parties. The Election Commission has listed the names of 23 parties, seven of them as multi-state parties [the Congress, the Swatantra, the Jana Sangh, the SSP, the Communist Party of India, the CPI (Marxist) and the PSP] and in addition 16 parties such as the DMK in Tamil Nadu and the Kerala Congress in Kerala and the Bangla Congress in West Bengal as single-state parties. The multiple party system has had a disastrous effect on our political system. As illustrated by West Bengal, Bihar, UP and now Punjab, it has affected the stability of the executive. It has encouraged defections. It has lowered the quality of public life. That the two-party system is preferable to the multiple-party is the proved lesson of political science. It gives the necessary strength and stability which enable the government to attempt great measures. Long-term planning of policy can be successfully attempted only by a government which is certain of a reasonably long period in office; that certainty can be provided, if at all, only under a dual party system.

Disproportionate Power

The multiple-party system not only enfeebles the executive, but gives a disproportionate power to self-seeking minorities; it turns important branches of legislation into class bribery and thus lowers the tone of public life. The dual party system leads further to a more regular, systematic, and sober criticism of the government than is likely under the group system. The object of the opposition being 'to get in,' it is the business of its leaders to scrutinize the measures of the ministry carefully in order to expose all their weak points. At the same time there are strong inducements for them to abstain from attacking measures which are wisely chosen, because they expect to come to power and the blow may recoil on themselves. The superiority of a two-party system over a multiplicity of groups is to be found, above all, in the fact that it provides the bnly method by which the people at the electoral period can directly choose their government. As Laski says:

> It enables that government to drive its policy to the statute-book. It makes known and intelligible the results of its failure. It brings an alternative government into immediate being. The group-system always means that no government can be formed until after the people have chosen the legislative assembly.*

The sooner our political leaders act on the lesson of history, the better for the nation. A reading of the programmes of the political parties, as put out by them at election times, also suggests that, barring the communist parties, the differences between them are not so great as to justify the existence of more than two or three parties: those who are for a radical social change, those who are for a less radical social change and those who are for a middle of the road policy.

The second evil is in part a conse-

*Laski, *A Grammar of Politics*, p. 314

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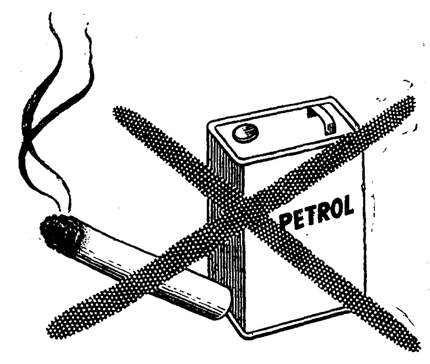

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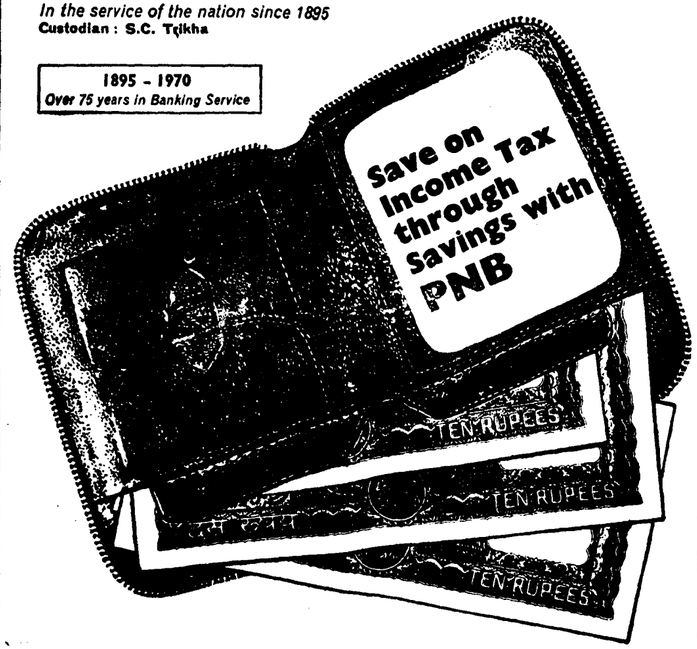

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quence of the multiplicity of parties: few parties are able to secure a majority of votes at the polls. As the average number of candidates at a contested election in 1967 was 4.8, the votes were divided. Even the Indian National Congress which secured 383 out of 520 parliamentary seats polled only 40.73 per cent of the votes.

Why then, if common sense and political experience dictate the reduction of the number of parties, do such a large number of parties continue? Two reasons suggest themselves. First, and the more important is that our parties are in effect factions not political parties. In his *Thoughts on the Cause of the Present Discontents*, Edmund Burke defines party as a body of men united, for promoting, by their joint endeavours, the national interests upon some particular principle in which they are all agreed. A faction, on the other hand, aims at securing personal and sectional benefits rather than at carrying out a programme of public policy. How else, for instance, can one explain the recent large expansion in the number of ministers in UP by Chief Minister Charan Singh?

The second reason is that the multiplicity of parties is a reflection of the social and political environment in India which has several sectional and regional interests. This, of course, is a factor which has to be taken into consideration, and only the success of our efforts at national integration can mitigate the political evils of this social factor. It is sometimes contended that the multiple-party system reflects perhaps more accurately than the two-party system the way in which the popular mind is divided. There is something in this argument, but let me say that democracy demands not only the expression of popular will but effective government, and from this point of view, there is no doubt that, especially in a developing country with numerous problems to solve, the consideration of providing the conditions for a stable and effective government is more important than a more accurate reflection of popular will.

The final question to be asked is can anything be done to limit the number of parties? Primarily the necessary action has to be taken by the electorate and the political leaders. The former can refuse to vote for minor parties realizing the utter futility of their vote for such parties. The latter should confer and decide on appropriate mergers. They should realize that parties can effectively achieve their objectives only through capture of government, and this demands a party in power and a party in opposition. Being out of government for many years causes frustration. Above all, I suggest, the Election Commission can consider the possibility of raising the percentage of votes to be secured by a party for recognition by it. Readers will recall that the Election Commission recognises a party, i.e. it qualifies for a reserved election symbol, if a party's candidates have secured not less than four per cent of the total votes cast in a state or union territory at the parliamentary elections or at the assembly elections. In the interest of the reduction of parties I don't see any reason why the percentage of votes necessary for such recognition cannot be raised, progressively, to six, seven or even eight. The suggestion is, at any rate, worthy of exploration.

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Economic Problems and Prospects

D.C. KOTHARI
President, Federation of Indian Chambers of Commerce and Industry

THE ECONOMY today exhibits mixed trends. Production has increased but prices are rising. There is demand for industrial goods, and even so, hardly any expansion of capacity is taking place. While imports have declined substantially, exports have not picked up. Unemployment is posing a threat.

Obviously there is something wrong somehwere. This is why the growth of the economy comes up against difficulties and makes it subject to contradictions. Progress is chequered. Stop-go movement brings down the overall growth potential and the total results get attenuated. It is, therefore, imperative that the problems are examined, identified and resolved.

In 1969-70, food production reached a new high. Output of foodgrains was over 100 million tonnes as compared to the earlier peak of 96 million tonnes in 1967-68 and the low depression output of 72 million tonnes in 1965-66. The question is whether the rate of growth will sustain.

Patchy Improvement

The increase in agricultural production cannot be taken for granted. The improvement in productivity has been patchy and it would be too much to expect that no further deliberate effort is necessary to ensure steady improvement. At the meeting of the state agriculture ministers held in July 1970, it was pointed out that the proliferation of the new farm techniques was not as fast as was anticipated. The consumption of fertilisers in 1969-70 had increased by only 14 per cent against the targeted 25 per cent. The growth of irrigation potential was inadequate and would check the possibilities of multiple cropping in large areas. The new high yielding varieties were particularly susceptible to diseases and pests. The green revolution has administrative, technical and financial limitations which have to be adequately overcome before progress can be put on a permanent basis.

The major issues in agricultural production are two :

(a) How to enable the small farmer take advantage of the new agricultural techniques which are inevitably more capital intensive?

(b) How to reduce the imbalance between food crops and cash crops?

The new farm techniques have become acceptable but are economically beyond the reach of small peasants. This has increased the social hiatus between the more well-to-do and the less well-to-do classes in rural areas. Although there are package programmes which are expected to help small peasants, the facilities at present available are extremely limited. Co-operative banks have not been able to meet even a part of the challenge. These institutions could be better organised. They have also been effectively supplemented by commercial banks which have gone into the rural sector on a more solid basis. If the government succeeds in introducing a crop insurance scheme or credit insurance scheme the benefit of new technology can be more widely distributed.

Bottlenecks to Production

The second factor which I have mentioned above has already created bottlenecks which have not onlv impeded industrial production but also have caused a pressure on prices. The output of some of the major crops like cotton, jute and oilseeds has been almost static in the last three years. This made it impossible for industrial output to increase commensurately with demand. There was a rise in the price of industrial raw materials by about 9 per cent in the last 12 months. This rise was particularly pronounced in the case of cotton (13 per cent) and groundnuts (11 per cent). Since nearly 40 per cent of the industry depends directly on these inputs, it would not be possible to achieve a high rate of growth — the fourth Plan postulates annual growth rate of about 10 per cent — unless there is adequate increase in cash crop production. The preoccupation with food production since the drought of 1967 had eclipsed the importance of cash crops in the national economy. With the improvement in the food situation the lacuna has become only too obvious.

Industrial production increased at the rate of only about 7 per cent in 1969-70. Out of 200 engineering items (for which figures are recorded) in respect of as many as 80 items production had either remained static or showed a decline. Apart from engineering industries, several non-engineering industries like textiles, jute and tobacco were equally depressed. A survey made by the Reserve Bank of India also brought out very clearly that the majority of the units had not expanded capacity in the last 12 months; neither did they plan to expand capacity in the next 12. These trends are not due to any lack of demand for the final product. The income inflation in rural areas has created sufficient demand for industrial goods. But industry is not able to produce adequately because of extraneous limitations.

In many sections, industry is not able to produce full capacity output. This is partly due to the shortage of raw materials and partly due to labour troubles, shortage of power, delays in getting government approval and sanction for imports, etc. The rate of growth has been particularly small in the case of engineering industries because of the acute shortage of steel which has only been partly made good by imports.

The expansion of capacity is subject to more serious limitations. Following the recommendations of the Dutt Committee there has almost been an embargo on the growth of the so-called larger houses. Even diversification has been made impossible. This means that a considerable area of industry has been blocked from possible growth. Companies are also finding it difficult to raise adequate long-term capital either by way of equities or loans. The new issue market continues to be depressed in spite of the revival in share prices.

Excessive Burden

This is because corporate taxation, including surtax, places excessive burdens on corporate profits and prevents payment of dividend commensurate with the long-term rate of interest. In fact, in the past ten years the rate of dividend on paid-up capital has declined from 11.2 per cent to 9.2 per cent. On the other hand, the interest on debentures has gone up from 5.2 per cent to 7.2 per cent and on one-year bank deposits from 3.7 per cent to 5.5 per cent. These changes in the structure of rates have diverted funds from the capital market to the money market.

The depression in the capital market made companies take greater recourse to financial intermediaries like development banks and deposit banks. Nearly one-third of the asset formation of corporate sector is currently financed from long-term loans from institutions like IDBI, IFC, ICICI, etc. But these institutions have now been given an option to convert loans into equities which has made this type of capital less attractive. There are also pressures on banks for reducing the supply of credit for financing working capital of companies. The rate of interest on such credit has already been put up.

Thus capital formation in private sector industries has been discouraged

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and has also diminished. This means that industry will not be able to cope up with the increasing consumer demand for industrial goods. This will push up the price level and restrict new employment opportunities. The vast backlog of unemployment has been growing and together with the rise in prices may pose a serious threat to social order.

The imbalance in agricultural production and the limitation on industrial growth have been the two major impediments to export effort. The annual rate of increase which had reached about 13 per cent in 1968-69 declined to only 3 per cent in 1969-70. There has thus been a sharp fall in export growth not only in relation to past performance but also in relation to the target of 7 per cent indicated by the Planning Commission.

Exports are a key factor in national growth. They finance not only the import of critical raw materials and capital goods but also repayment of foreign loans and interest payments. The Planning Commission has made self-reliance one of the principal elements in the strategy of economic development. In particular, this means that the reliance on foreign aid will be reduced to half its present level. Export promotion will have to make good this deficiency.

A sustained export effort is possible only if it is based on inherently sound economic factors. Occasional props and incentives can certainly provide a shot in the arm. But such measures are short-lived and cannot be a permanent basis of development strategy. Exports must be able to withstand international competition and, therefore, must measure up to the highest standards in quality and comparable levels in cost. This is possible only if Indian industry — which will have to be the principal producer of of export goods — reaches the degree of efficiency achieved in other parts of the world. That is to say, Indian industry must have the economic freedom to choose an optimum scale of output, to be located advantageously, to select cheap sources of raw materials, to have an access to financial markets and achieve a balanced structure of capital, to integrate production processes etc., all of which ensure high quality and low cost. The policy measures at present instituted make this hardly possible.

The Indian economy, which has a high growth potential, is thus handbound by restrictive policy measures which are not even well administered. Agricultural organisation is weak and makes it impossible to extend the new agricultural strategy to all crops or cover all peasants. The Industrial Licensing Policy prevents private industry from undertaking possible development, creating additional employment, achieving economic scale of output for reducing costs which makes export effort possible. Our economic policy seems to be more inward looking rather than outward looking. Unless the inherent contradictions between the requirements of development and the economic policy are removed economic growth will be neither healthy nor speedy.

The fourth five-year Plan postulates a growth rate of 5-6 per cent per year. This target is not very ambitious in comparison to the rates of growth achieved in some countries like Japan or West Germany. It is not difficult for India to achieve these levels of efficiency and bring a better life to all citizens. The conditions necessary to achieve higher levels of development already exist. But the maximum use of these facilities is restrained by policy measures which are often based on extra-economic considerations. No doubt, in a democratic country, such as ours, it is necessary that the benefit of development is not confined to particular sectors or sections of people. Development must be broad based. This is not necessarily inconsistent with fuller utilisation of the skills and capital of private enterprise. If policy is properly re-oriented, and the road blocks lifted, the economy will have a smooth and rapid run.

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The New Industrial Fallacy

H. P. NANDA
President, Escorts Limited

THE NEW industrial policy is yet another demonstration of the frustration of our government-in-a-hurry. While it still uses the "socialistic" slogan as a peg to hang its political objectives on, the government is now awkwardly obvious about its lack of understanding of the industrial problem. One wonders if the policy-makers really mean business. For, the purpose of an industrial policy in any economy — developing or developed — is to boost up the total national production. Policies and procedures are means to an end, and not an end by themselves. But our bureaucratic classes seem to derive great pleasure in placing the cart before the horse as if to keep reassuring themselves that it is they who run the country and, as such, have the prerogative to do as they do.

The Sector Theory

Our policies and regulations are only creating another class-consciousness among the industrial community, dividing it into water-tight, isolated sectors, discriminating one against the other and perpetuating a constant state of confusion in our basic industrial objectives. All this, unfortunately, is done in the name of social reform. Misleading the society is not "reforming". In fact, not leading the society in the right direction is a deliberate act to mislead.

The real objectives of an industrial policy have to be based on socio-economic rather tlan just 'social' considerations. Industrial production must increase progressively. And what makes the industry flourish is *free enterprise* with a reward for its achievements, not mere policies or plans, and certainly not the curbs on growth or size.

In the industrial system, growth is a natural phenomenon which goes to meet the ever-increasing costs of wages and raw materials. It is purely an economic proposition without which the industry would collapse. For it is impossible for any industry — big or small — to continue to give the labour its annual increments and the minimum bonus, unless it earned this additional expense through increased output and growth.

The latest industrial policy displays the government's size complex in many forms. The theory that the new policy is "not industry-wise but investment-wise" is a lopsided approach to industrial development. The dividing line between various sectors in industry, according to this theory, is only the capital employed which, in fact, has no relationship with the break-even point that varies from industry to industry. This, therefore, means that the bureaucratic favour would remain on your side only as long as you made nuts and bolts but it will be withdrawn as you took up a capital-intensive industry such as automobiles, tractors or industrial machines. Who will then venture into vital capital projects which are the fulcrum of industrial development anywhere in the world? Whose interest are these policies really serving? Obviously it is neither the industry's nor the country's.

Prohibition against Diversification

Curb on diversification without licence, as pronounced by the new industrial policy, is another unimaginative step and nips enterprise in the very bud. On the one hand the Finance Ministry encourages, through tax reliefs and incentives, the setting up of research and development departments in industries, on the other the Ministry of Industrial Development is sitting with a whip in hand, ready to strike if you ever came up with a new product or innovation. What is then the purpose of research and development, which is a costly exercise, if the fruits of this labour are forbidden?

Moreover, diversification too is purely an economic factor, a safety valve for the industries to escape to alternative business during recession. Every product has a life cycle and those who forget that after great heights come great falls, do not remain in business for long. Research and development, besides its social objectives of offering the customer the best and the latest for his utility, convenience or hygiene, provides the industry with an alternative to swtich over to new products during recessionary periods as is being faced by the diesel engine and pump industry at present, or when a product has lived its life cycle. Instead of depriving the industry of this lifeboat, the government should rather ensure that all new industrial projects have flexibility to diversify as and when necessary. We all have seen many industries close down just because they could not diversify in time. Apart from what it means to the stockholders, of which even government institutions are also a part, it is a national loss to let plants close down in this manner.

Unless it is clearly spelt out by the Ministry of Industrial Development that it will permit the entrepreneurs licences for the articles developed by them on their own initiative and through their own research efforts, there would soon be no research and development in the country.

Axe on size, prohibition against diversification and, now, a grand slam on capacity completes the morbid picture of industrial under-development. Our licensing system seems to be in a hurry to freeze the industrial progress at a stage where some of us are just beginning to take a turn towards mass production. In fact, we have hardly anything near mass-production, when compared to world production standards. Yet it is creditable that some Indian products have penetrated foreign markets. Restriction on capacities of the so-called "large" units — the pioneering industries who braved over two difficult decades to reach where they are today — is a step which is neither democratic nor productivity-oriented.

Bureaucratic Misrepresentation

In the bureaucratic cricles, we seem to have many past masters in quoting things out of their context, especially when references are made of Japan, for special effects in their speeches or statements.

Very often we are asked to follow Japan's example in the development of small scale industries. Well, it is established all over the world, including Japan, that small scale industries can best flourish as ancillaries to large industries. They should be given a complementary role rather than reservations or concessions which kill competition and, therefore, quality-consciousness. Even in Japan, where small scale industries constitute 99.4 per cent of all manufacturing units, the industrial output of large scale units is almost 50 per cent. It is obvious that unless the large capital units grow, the small industries could never flourish.

Delays and procrastination of decision have become proverbial with our licensing system. The Foreign Investment Board was set up to expedite the foreign collaboration agreements within the guidelines of investment ratios and royalties. But it is a pity that although all the concerned, ministries and departments are represented in the FIB, decisions go back and forth for years, on minor, sometimes meaningless, queries, thus throwing the production programmes completely out of gear. For instance, the Escort-Ford project which was accepted by FIB in principle as early as March 1969, is still being grilled on several new issues, including the financial institutions' designs to have an option clause in the loan agreement giving them the right to convert loans into equity, thus completely dis-

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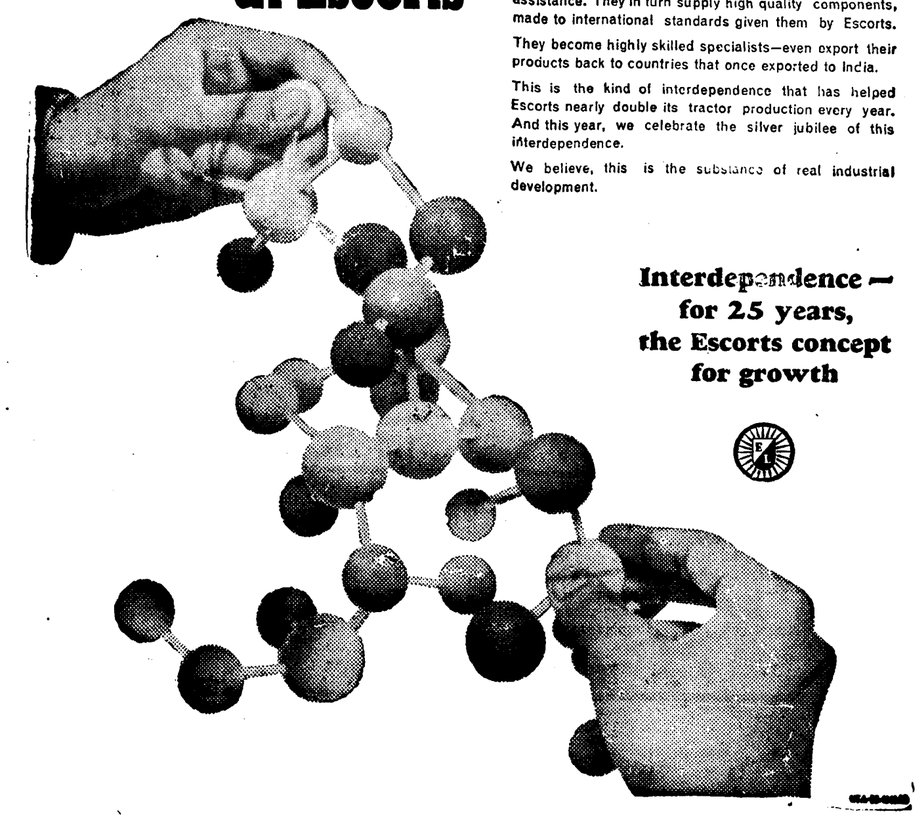

And the rest?

They are part of a thousand odd companies spread all over India that supply most of the components of ESCORT tractors (each has about 4,200 individual parts!) So that's how many people outside Escorts contribute to its operations. And they are mostly small-scale manufacturers.

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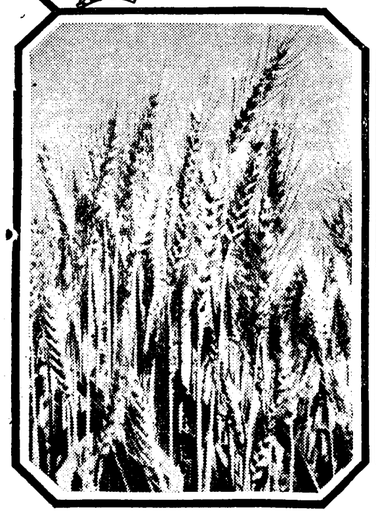

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rupting the fundamental feature of the collaboration ratio of 60: 40. Implementation of the rules and regulations is more in "letter' rather than in "spirit", and generally slow. These delays sometimes get so frustrating that the foreign collaborators often want to withdraw in midstream and a good project may not see the light of the day. Even if an honest, objective government officer takes some initiative in settling a straight-forward case promptly, he is suspected of "favour" and of being "involved" with the entrepreneur.

In the endless chain of checks and controls around the private industry's neck, there are some spiked links too:

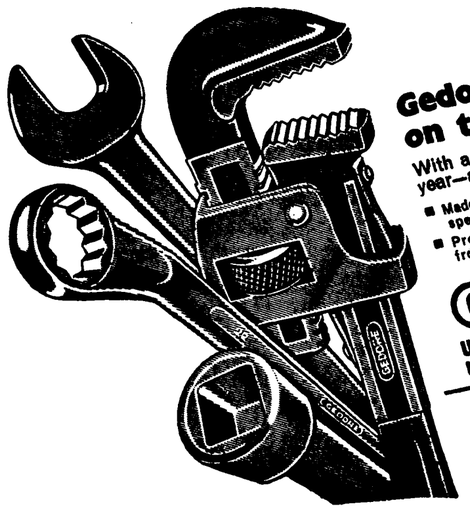
Referring particularly to the products under the price control purview, the government formula for price fixation allows a maximum return of 12 per cent on fixed assets plus working capital. The more fixed assets one had — whether or not utilised — the better the return allowed. In other words, the government costing formula gives one a premium on inefficiency. And industry which tries to help the ancillary units by purchasing components from them and assembling these components into a finished product would always stand at a disadvantage under this costing formula, compared to another unit which manufactures all these components itself as the latter would get a higher return in view of higher volume of fixed assets involved.

What is even more anomalous is that there is no price control for the ancillary industry and the prices of ancillary components do keep rising. Therefore, the capital goods industry is tragically caught between the upward thrust of ancillary prices from below and the stress of fixed ceiling on the sale prices of the end products from above. Such a costing formula is a sudden departure in practice from what the government tries to preach in the matter of helping the small scale industry. Where is the incentive to buy outside? The "large" industries are being forced by this formula to make, for sheer survival, as many components as they can themselves. The costing formula is neither helping the small scale industry, nor the capital goods industry. It is another theoretical bug of the policy-maker.

Crippling Taxation

The current taxation, which includes a very high rate of wealth tax and, now also an additional urban property tax, gives a lease of 5 to 10 years to anyone of the "large" groups to come down to the level of the units with assets below Rs 5 lakhs. There is a ceiling on total income and, beyond a certain degree of growth, there is no incentive for industry to perform better. There are hardly any monetary incentives left for the so-called big industrialists, and the capable directors and managers in the corporate sector, except a sense of national obligation, to work more. The much-publicised "fear" that private sector can exploit is a myth. For, in the present corporate system, no individual or a group of individuals can take away any profits without paying a good share of taxes.

The slogan against "concentration of economic power" has been over-played to the extent of making the successful private ventures look like social pests rather than national assets. The "large" industrial groups (with capital involvement of Rs 20 crores and above), often branded as the "dirty thirty", are the pioneers of Indian industry. It is these groups who have fought for the country a more difficult battle for economic freedom than the politicians' struggle for the political freedom. The only difference is that they never sought elections to Parliament, nor indulged in slogan-mongering. If the government cannot make these pioneering leaders of industry "Bharat Ratnas" for their contribution to the country's economy, in terms of employment for millions, valuable research for new products and services, and enormous tax contribution towards national exchequer, let them, at least, not be called "black sheep". None of our "large" houses is large enough by world standards, not even anywhere close to the large units in Japan. Then what is really ailing us? Is our bureaucracy success-shy? Or is it a lack of perspective in the policy-makers' eye ? Both are dangerous symptoms for free enterprise.



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New Dimensions of Tourism

M. S. OBEROI, M.P.

MAN'S EXPLORATION into space and the recent landing of American astronauts on the moon adds a new dimension to toursm. Tourism will now become a still more potent force than it is today. Conventional barriers will collapse. Fantastic speeds in the air will result in massive movements of men from one continent to another. Interplanetary travel will become a distinct commercial possibility in the forceseeable future. New vistas will open up for travel and tourism.

We, in the travel industry in India, are trying to make travel to this country both pleasurable and worthwhile. India offers to tourists what no other country can or does but it seems that the government has not wholly exploited the tremendous potentialities that tourism offers to the country.

Tourist Paradise

India, from the very dawn of history, has fascinated the traveller from abroad. The immense age of her being and the overwhelming beauty of her flora and fauna make her a tourist *paradise sui generis.*

Thousands of years ago travellers from distant parts of the world hazarded long and arduous journeys and came to this country. India's civilization going back to dateless millennia, her monuments and her sky-high temples attracted the traveller from the very dawn of history.

Travel-conscious men and women throughout the world are hungering for information about India. We must not only feed them with information and promote India but also equip ourselves with the necessary infrastructure to meet the demands of the modern tourist who is very sophisticated and discriminating.

For a country such as India, tourist arrivals are doubly important. With our limited exchange reserves it is absolutely necessary that we do everything possible, everything within our means, everything conceivable, to attract more and more foreign tourists to this country.

Tourism— we have it on the authority of an internationally-known institute of economic research — is responsible for "economic displacement" of three to five-and-a-half times more than the exchange figure earned. Tourism is one of the biggest stimuli to additional employment. Its economic advantages apart, tourism has tremendous international significance. Every satisfied tourist becomes an ambassador of the goodwill of this country and if that goodwill is lacking our international image suffers. Tourism, therefore, has significance far beyond its own.

The time ahead of us is a time of great challenges and of equally great opportunities. The challenges that technological advancements in aviation which "jumbo jets" and supersonic aircraft will create in the tourist plan in India are tremendous and so are the opportunities. The fantastic speeds in the air and resultant passenger movements will require an entirely new approach to the development of tourism in this country. We must have sufficient accommodation to cope with the massive movement of passengers which high-speed and high capacity aircraft will create.

INDUSTRIAL GROWTH : 1950-51—1968-69

Industry	Unit	1950-51	1968-69	Compound annual rate of growth (per cent)
Finished steel	million tonnes	1.04	4.7	8.7
Special steel	'000 tonnes	..	43	..
Aluminium ingots	-do-	4.0	125.3	21.1
Diesel engines (stationary)	'000 Nos	5.5	118	18.6
Automobiles	-do-	16.5	79.2	9.1
Machine-tools	Rs mill.	3.0	247	..
Cotton textile machinery	-do.	Nil	138	...
Sugar machinery	-do.	Nil	118	..
Cement machinery	-do.	Nil	81.8	..
Paper and pulp machinery	-do.	Nil	27	...
Sulphuric acid	'000 tonnes	101	1038	13.8
Cement	mill. tonnes	2.7	12.2	8.7
Nitrogenous fertilisers in terms of N)	'000 tonnes	9	541.0	25.5
Caustic Soda	-do-.	12	304.0	19.7
Coal	mill. tonnes	32.8	71.5	4.4
Iron ore	-do.	3.0	28.1	13.2
Petroleum products	-do-.	0.2	15.4	27.3

A tourist explosion is likely to occur in the immediately foreseeable future. The tourist plan we have in this country is not adequate to meet the situation. A sea-change in the complexion of travel will create many problems for those engaged in hotel business in this country.

New-generation aircraft will completely revolutionize travel and it is anticipated that with the introduction of jumbo jets air fares will be reduced considerably. This will create a completely new market and people who cannot afford to travel today will be travelling in large numbers in a few years from now. If India is to take full advantage of this tourist boom, we must have sufficient hotel accommodation and other facilities. We will have to build hotels, and build them fast, at all our tourist centres.

Unready for Jumbo Jets

The jumbos will land at our principal airports in the near future and disgorge plane-loads of passengers every day. Can you imagine what would happen if two jumbo jets, each carrying nearly 500 passengers, land at any of our major airports ? Not only are there not enough facilities at our airports for this volume of traffic, even the position of hotel facilities would be utterly chaotic.

Many things have been done to streamline the infrastructure of tourism in India but many things still remain to be done. The government has still to recognize the enormous problems — and the challenges and opportunities— that breath-taking advances in aviation will pose for tourism and the hotel industry in India. The government will have to orient itself in a more noticeable, more pronounced manner to the needs of the private sector hotels because hotel operation is essentially a private sector enterprise.

A mightier effort, a bigger investment and a more concerted and coordinated endeavour will be required to make tourism the type of the catalytic agent that it is in the economy of the more tourism-conscious countries of the world.

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Simla.

Oberoi Clarkes,
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Oberoi Mount View,
Chandigarh.

Soaltee-Oberoi,
Kathmandu (Nepal).

Oberoi-Sheraton (under construction),
Bombay.

Ceylon-Oberoi (under construction),
Colombo (Ceylon).

Tehran-Oberoi (under construction),
Tehran (Iran).

OBEROI HOTELS — THE HOTELS WITH HEART.

Social Responsibility of Indian Business

KULDIP NARANG

Managing Director, Narang Group of Industries

INDUSTRY IN India works under the (unique) experiment of a mixed economy. In spite of a growing tendency to increased control, it is essentially a bold experiment in combining planning within the framework of a democratic structure. Industry has emerged, over the last 23 years, as a strong constituent of society and is therefore expected to make a greater contribution. The socio-economic structure of the country is changing rapidly, and it is critical for industry to respond to the changing conditions. A new social conscience needs to be generated, as the alternative is a deep social conflict, which would result in radical changes in the political structure of the country.

The growing network of communication and literacy, most of it generated by the growth of industry itself, is enlarging the social and economic aspirations of the people. The third force, of an emerging enlightened public, is crystallising its goals. The government and industry must find identification with these goals and prevent the growth of widespread dissatisfaction.

Immediate Problem

The immediate problem is the lack of communication between the government and industry. The situation exists as a hangover of foreign rule. Industry and government are integral parts of society and must accept the challenge of demonstrating to the people that the system of mixed economy can meet their aspirations.

The problem of unemployment is becoming acute. The industrial structure of the country must fulfil economic objectives and meet the demand of creating more employment. The urge to ape the west in production techiniques has to be balanced in this context. The factors leading to mass production in the west do not exist in India, and will not in the foreseeable future. There is also the acute problem of unemployment of the educated and qualified. There is a substantial amount of brain drain from the country and conditions must be created to fully utilize these qualified people.

There is conspicious disparity in the industrial growth of the country. A large part of the country remains undeveloped. It is necessary for industry to realise that it cannot continue to ignore these areas. The problem is challenging.

A Compromise Needed

Industry has to reach a compromise between the economic necessities of increased productivity and fulfilling the social objectives of the country. Industry is basically started for profit by the owner. It is generally found that the union of ownership and control leads to a higher propensity of monetary profits. In the private sector, industry must ensure an adequate return to the shareholders. It cannot, now, however, afford to ignore the satisfaction of the consumer and the community at large. The principle of 'adequate return' in the country must be calculated after providing for social costs. The concept of social costs in industry has now been given wide recognition all over the world. A substantial proportion of social costs of industry can be achieved by greater efficiency and higher productivity.

A large sector of the Indian population is now directly dependent upon industry. The social norms of providing adequate housing, medical facilities and education, are now recognised and accepted as an integral part of the total costs. No amount of technological progress can guarantee the success of industry. The success of industry is very largely conditioned by the satisfied worker, who has a sense of participation in the objectives of the company, adequate job security, and feels identified with the industry.

Rising prices seem to be the greatest threat to the increase in the standard of living. In the market situation of our country, with perennial shortages in many products, industry must pass on the benefit of low costs to the consumer. The natural tendency of industries to move into areas of high profits sometimes results in wasteful competition and deployment of scarce resources in low priority areas. Here the government and industry must co-operate in fulfilling the planned objectives of the country.

Industry in India is perhaps about the largest employer of qualified personnel. The largest number of university students and freshmen join industry. This is, therefore, an important body of the educated public, backed by qualification and expertise. Unfortunately, the atmosphere in the country has been conditioned by the system of working in western democracies. It has now come to be accepted that industry plays its role behind the scenes, exerting various kinds of influences to achieve its ends.

Western democracies may be able to sustain a relationship of this kind due to widespread affluence. In India, where a large part of the population lives below subsistence, and the vital problem is of economic survival, it is critical for industries to come out in the open and provide the benefit of its expertise to the government.

Inherent Isolation

On the other hand, the government itself has followed the British pattern of administration and has developed a working pattern which tends to isolate it from other constituents of our country. Japan, which has followed western economic development and produced the most affluent society in Asia, has created a unique atmosphere of co-operation between the government and industry. The problem is even more vital for this country, which has to stretch its limited resources to deal with the acute problem of poverty. This can only emerge successfully if all resources are directed towards fighting this problem.

The government has shown a tendency of relying excessively on statutory controls. Industry has shown an equal tendency to be sluggish in responding

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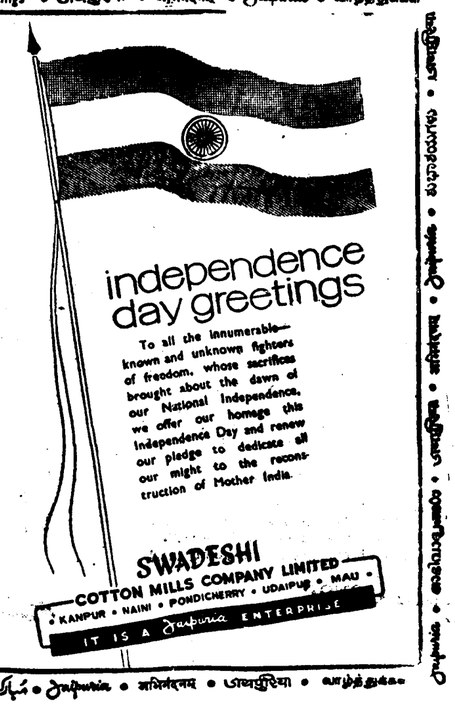
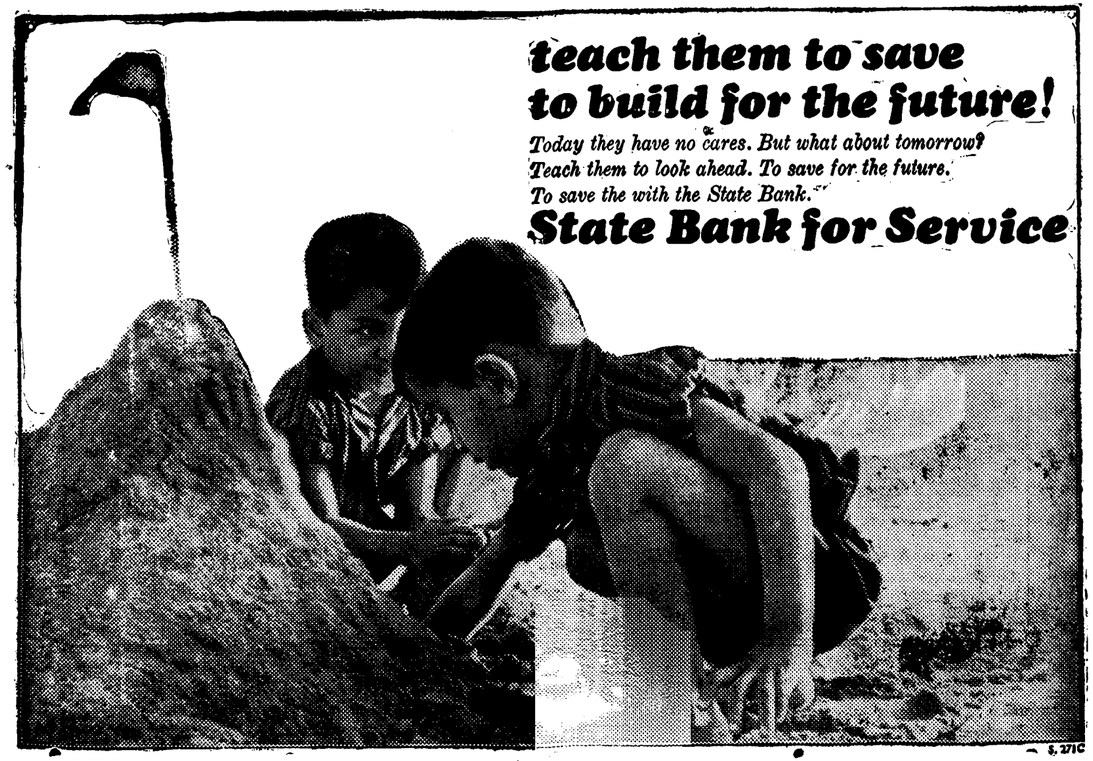
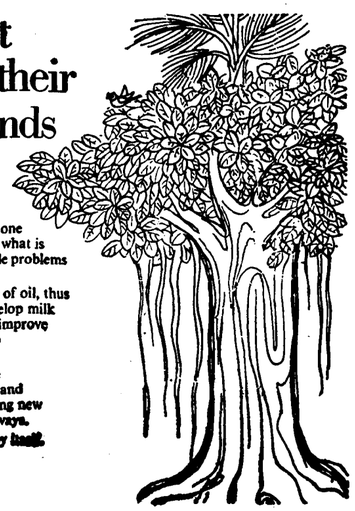




They saved the ancient banyan tree and now their daring knows no bounds



'Let it stand,' someone said of the banyan tree as the site was being cleared for the Hindustan Lever Research Centre, at Andheri.

So the tree still stands—and it stands for quite a lot. For one thing, the tree signifies that we can't easily get away from what is home-grown. Appropriately, therefore, the Centre will tackle problems rooted in India—the kind that can only be solved here:

Can we discover and exploit hitherto unused *local* sources of oil, thus cutting imports and saving foreign exchange? Can we develop milk foods that are ideally suited to *Indian* needs? How can we improve the nutritive value of protein-poor foods? Can we develop processes for the preservation of Indian type food dishes?

Research on all this can only begin at home. It has, at the Hindustan Lever Research Centre in Andheri. The sweep and thrust of the studies are daring. The scientists are producing new devices for old, making traditional things happen in new ways.

They have, of course, left the banyan tree alone to grow by itself.

Hindustan Lever

Lintas-HLL. PR. 9A-537

to social conditions. The relationship between government and industry has somehow become a vicious cricle. Statutory controls are introduced and a new venue of breaking them inevitably emerge. It would be much healthier and definitely more conducive to economic growth if the foundations of close co-operation between industry and government were established.

The nature of technology has changed considerably and it is now the largest determinant of productivity. Our country is regarded as underdeveloped only by its lower level of technology. Conditions must be created by both government and industry, which will promote the growth of technology within the country. We must not make the error of finding ourselves even more backward as compared to the rest of the world in the 21st century. We are the only country outside Europe which has an abundance of qualified people, capable of undertaking modern technological growth.

Lacking Infrastructure

The patterns of need in the economy are not such where it is necessary to spend large amounts on basic research and development which enable the developed countries to launch satellites and finance trips to the moon. At this stage of our economic development we have to ensure that our basic industries do not, over a period of time, become obsolete and that we build up an indigenous programme of research and development which undertakes, by improving technology, to arrive at increased productivity. A substantial amount of expenditure by foreign countries in research and development is negative, to the extent that it is direct towards armaments. The battle of our country is not for military domination, but for economic prosperity.

The Indian economy has undertaken a complex and bold experiment of combining central planning through a controlled system, with the dynamism and initiative of a progressive entrepreneurial class under a democratic structure. The economy itself reflects our neutral position in the arena of world politics. It is an experiment which our planners rightly regarded as being the quickest way of satisfying the economic and social ideals of the community. The concept of mixed economy at this stage of our industrial growth needs added support. It is true that it has not produced the most satisfactory result in the last 23 years of independence. However, the conditions have substantially changed in all directions today. The private sector is very much more aware of its social responsibilities. It is more responsive to the needs of the country and its working and ownership is changing hands rapidly to younger and more professional people who have a greater awareness of the social problems. The government is also now responding to more socially progressive policies and the time is coming when the wisdom of our planners in establishing a pattern of growth through the healthy combination of central planning and the private sector will be adequately justified. No efforts should be spared in creating conditions which are necessary for the success of our economy.

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Industrial Horizons

RAUNAQ SINGH
Managing Director, Bharat Steel Tubes Ltd.

WHITHER INDIAN industry? In the last two decades or so of planning, no doubt impressive headway has been made. Industrial production is up by nearly 300 per cent. Today, the share of industry in our national income is as high as 16 per cent. The corresponding figure for 1950-51 was five per cent only. Qualitatively also significant improvements have been made. A number of new industries have appeared on the scene. Steel mills have been set up; so also machinery making units, chemical and fertiliser plants, a variety of engineering units, etc. As a result, industrial structure has changed both in depth and dimensions. This is all to the good. But this merely forms the backdrop to things as they are, or as they may shape.

As of today, there are plus as well as well as minus factors. Industrial production has gone up during the last year by about seven per cent. Though this is well below the Plan target, it marks a turn away from the gloomy days of recession. Other economic indicators are also positive: agricultural production has reached new heights, the balance of trade deficit is much smaller and the demand for industrial and other goods is increasing. And yet, something seems to be wrong somewhere. The new issue market is as dull as ever. There is neither fresh investment activity nor any plans of expansion. Apparently, we have hit a phase in our industrial development where investors prefer to wait and watch rather than take a bold step forward. Why is it so?

The Stumbling Block

Speaking for myself, I can claim to know what is wrong with the engineering industry. Apart from policy predilections, which I will touch later, the main stumbling block in our way is the insufficiency of steel supply. I can understand imbalances in any one or more sectors of the economy, provided they are temporary. Otherwise, planning makes little sense. Unhesitatingly I can say that our steel planning has been faulty from the very beginning. We started far too late. The new plants took much longer time than was anticipated to come into being. What is worse, Hindustan Steel Limited, right from its very inception, developed some unique propensity for haphazard operations. Rourkela continued to be a sick child for a number of years and now Durgapur had beaten all records in inefficient operation. Its monthly production reports are an eloquent testimony to how a plant should not be managed. I am aware how too much politics and too little of work has been the bane of Durgapur but what I have failed to fathom is how long we can allow things to drift. If a surgical operation is called for at any level, the earlier it is performed the better. Nobody in this country, howsoever vocal or articulate, should be allowed to tamper with the major means of production. Besides, the expansion programmes of the steel industry have not taken off the round. Of late we have been hearing of additional plants but when they will really materialise is a moot question. Even Bokaro is very much behind schedule.

Dismal Picture

Be that as it may, the entire engineering industry today is geared to raising the level of production. But the supply side of the picture continues to grow more dismal every day. As a result, not only domestic demand may remain unsatisfied, but even the foreign markets, nurtured and nourished over a long time, may be lost. The only short-term remedy lies in steel imports. Something has been done in that behalf. However, it has proved far from adequate. The implications of the new export policy resolution, which seems to have many positive features, are yet to fully unfold. In any case a realistic judgement can be made not in terms of intentions but only in terms of steps taken for implementation. Let us see how things shape. I would, however, like to stress that we should not fight shy of imports, particularly when they help boost our exports. The import of steel is one such case.

Now, I may turn to the sphere of policy, which I think is predominantly responsible for the hesitancy in the investment field. Let me, however, preface my remarks by saying that Indian business has never questioned the basic concept of planning. On the other hand, it in fact accepted from the very beginning that in a country like ours, the forces of growth could be speeded up only by conscious and deliberate effort. Nor has the question of "free enterprise" versus "government planning" ever arisen. That debate is as dead as dodo. So, why the present phase? Why all these, so to say, gropings in the dark by Indian industry. I do not claim to know all the answers, but some are quite evident.

Following the Dutt Committee report a number of policy decisions have been taken which have befogged the industrial climate. The earlier trend towards liberalisation of industrial licensing which was set in motion by no less an authority than the Planning Commission itself seems to have taken a right about turn. Of course, the exemption limit in respect of industrial licensing has been raised from Rs. 25 lakhs to Rs 1 crore. But it is hedged with so many ifs and buts that very few people know where they stand. For example 41 delicensed industries have once again been brought under the ambit of licensing.

Also, a licence will still be required in some cases for starting new industries even up to Rs 1 crore. Simultaneously, existing undertakings with assets of more than Rs 5 crores are required to take a licence for expansion even though it involves an investment of less than Rs 1 crore. A Rs 5-crore company is really small compared to gaints elsewhere in the world. If we have to compete in international markets, our industries will have necessarily to attain commensurate sizes. Besides this and other question marks, there is also a proposal that such financial institutions as the IDBI, the IFC and the ICICI will soon acquire the right to convert loans into equity at their option. Nobody seems to have bothered to think that there is a functional difference between loans and equities. And any sudden shift from the one to the other can upset the capital structure, resulting in uncertainty in management, reduction of profitability and blocking of investible funds. Shareholders will naturally be reluctant to subscribe to issues because of the impending danger of fall in capital values if the financial institutions exercise their option.

Monopolies Act

In the galaxy of new features which have cropped up of late, mention needs be made of Monopolies and Restrictive Trade Practices Act, 1969. Nobody likes monopoly or monopolistic practice. My submission, however, is that monopoly has to be defined in economic terms. A monopolist, according to well recognised principles, is one who by himself or in combination with others can rig up prices. However, the criteria applied by the government are entirely different. Any company (or inter-connected firms) if producing more than one-third of the total supply of any one product, is deemed to be a monopoly. The term 'inter-connected' has been defined so loosely that any two or more companies

That's how the Talcher Fertilizer Project in Orissa being set up by FCI has been hailed.

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- To reduce drain on foreign exchange by cutting down imports of ammonia and naphtha.
- To ensure economies of large-scale production and reduce cost of fertilizer for the farmer.

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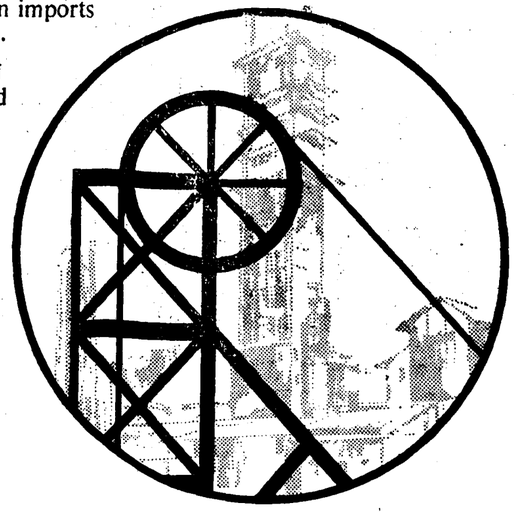

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can be called 'inter-connected'. In a developing economy where production of new commodities has to be taken up, it is inevitable that the number of producers initially is small. It is, therefore, apprehended that the Monopolies Act may come in the way of diversification of production. Unfortunately, monopoly has also come to be equated with size, which is really a matter of techno-economic considerations.

To further complicate the situation there is recurrent talk of nationalising this and that. What does that mean? Nationalisation may serve some purpose *only* and I repeat *only* when the government manages better than businessmen. Otherwise, nationalisation merely means transfer of ownership. How a step like that can lead to greater wealth and larger well-being is beyond my comprehension.

To sum up, Indian industry has already to contend with a variety of controls. All these, by and large, remain. To them have been added a veriegated set of fresh donts. Besides, new concepts such as 'core', 'joint' and 'middle' sector have been coined, which certainly do not make for increased enlightenment. On the whole, economic policies have been made more restrictive, complex and negative in character. In such a situation, all one can do is to keep one's fingers crossed. Indian industry has certainly entered a new watershed. Whether we will cliff-hang or gain the heights is *the* question. My only hope is that the present phase like all others will turn out to be temporary.

Prospects in S-E Asia

HOMI J. H. TALEYARKHAN, M.L.A.

THE IMPORTANCE of narrowing down the communication gap in order to build up India's commercial image and to make them aware of India's vast progress and potential on the industrial front particularly as an exporter of engineering items, making availability-cum-suitability studies of products, commodity-wise surveys, acquiring knowledge of market conditions, exploration of opportunities for investments, collaborations and joint ventures and the facilities provided for them, the methods adopted in these countries for promotion of exports particularly in salesmanship, the policies and processes adopted for industrial growth which has led to their economic boom, minimal trade restrictions due to their comfortable balance of payments position and the need of making them conscious of our capacity of meeting their requirements in quality, price and delivery on date, were among the predominant impressions I gathered during my recent tour of some south-east Asian countries, particularly Japan, the Philippines and Hong Kong. Their economic progress is amazing. Need for more sailings of our ships to their ports is another necessity.

Respect for India

All the countries have great respect for the strenuous efforts that India is making. Our growth of trade with them is improving. I am sure, however, that the overall economic partnership would be even more effective if the communication gap could be narrowed down. They are not sufficiently aware of India's industries, of how much India produces and has to offer. They need commoditywise surveys. They are not aware that nearly 90 per cent of all our goods exported undergo pre-shipment inspection regarding their quality, about which they are still not certain. They want to be sure that our prices are competitive and that our packaging is satisfactory. Accustomed to quick profits, importers from these countries want prompt delivery of indented goods. They also expect a two-way traffic. However, there is also a deliberate effort in all these countries to increase their exports and to keep their imports to the minimum.

I think India would be able to sell more to these countires particularly in non-traditionals, if we can give them the satisfaction of buying a little more from them.

In addition to trade, investment opportunities are also ample inclusive of collaborations and joint ventures.

Helping Factors

A constant flow of delegations, to and fro visits of knowledgeable people and personages, dissemination of news and bulletins, constant contacts with chambers of commerce and other commercial and economic organizations would help a great deal in creating confidence about the stability of our economy.

The annual foreign ministries consultative meetings in Japan are having a good effect. In September, high level trade talks with our leaders of industry is to be held in Tokyo. But continuous discussions and decisions at lower levels as follow-up are also vital. In addition, exporters themselves must pay visits to these countries for sufficiently long periods, canvass potential agents thoroughly, select the best who is prepared to handle the line and work out with him effective plan of sales development channels of distribution.

I occasionally came across unnecessary doubts being raised about the stability of our economy due to the political developments in our country, but they ultimately understood on being explained that the policy of democratic socialism had, on the contrary, helped to strengthen it and bring assurance into the minds of the masses that they would be adequately assisted for safeguarding and building up their future. And this, the nationalised banks—another frequent question—had already started doing.

Dealing with my impressions of Japan first, its economy and GNP rank third best in the world today, next only to the USA and the USSR. Actually its GNP per square kilometre is four times that of the USA and twice that of France. It constitutes a high-density community unparalleled in any other country of the world. Its rate of growth is 13.2 per cent. Its exports FOB last year aggregated Rs 120 billion showing a rise of 23 per cent over the preceding year. It accounts for over 7 per cent of total world exports making its the third highest share in the world next to the USA and West Germany. Its imports totalled only a billion dollars less. Its trade surplus, including invisibles, ran into many million dollars. Its international balance of payments position is 3,500 million dollars surplus. Its employment is cent per cent. In fact there is labour shortage.

Open Secret of Success

According to my study, the success of Japan's economic growth is due to complete understanding between government, industry and banking, once policy decisions are taken. While labour demands higher wages, workers also ensure higher productivity.

The people's complete integration (one language, one culture, one history, one tradition; their patriotism), discipline, hard work, adaptability and consideration coupled with shrewdness and thoroughness, have helped immeasurably towards the attainment of their extraordinary achievement. In the several factories of different types, the ports and shipyards which I visited, I never

found any worker idle or wasting a minute of his time.

The capacity of the Japanese at assimilation and quick dissemination of modern science and technology has been another great boon. College graduates in Japan have played a major role in promoting technical innovations and economic growth. The concentration of the Japanese on such industry which has high growth rate and export potential as, for example, automobiles, fertilisers, petrochemicals, steel, household appliances, optical and electronic equipment has been another surety for their success.

Small Enterprises Predominate

Innumerable medium and small enterprises are now operating in Japan. They account for over 99 per cent of all manufacturers, 70 per cent of all employees and 51 per cent of all shipments.

Japan's big enterprises have also shown spectacular growth. Japan today builds 50 per cent of all the ships in the world, making her the world's biggest shipbuilder and exports nearly 70 per cent of them. It is second and third respectively in manufacture of automobiles and production of crude oil and steel. It has six of the world's 60 biggest steel plants. It is the leading manufacturer of chemicals and petrochemicals; also electronics and electrical goods. Of the 200 largest industrial companies outside USA, Japan alone has 45. Its production of machinery, iron and steel and chemicals account for two-thirds of its total production. By its aggressive salesmanship, its exports run into 120 billion rupees. It rises by an average of 15 to 20 per cent annually—a world record. Japan also imports about the same amount worth of goods.

Its exports of chemicals, metal products and machinery have increased in recent years from five to seven times. Its exports concentrate on north America and south-east Asia accounting for 60 per cent of her total exports.

What Japan Imports

Imports into Japan from developed countries aggregate 60 per cent of all its imports while those from developing countries amount to 40 per cent. Japan imports mostly from the USA, south-east Asia, west Asia, followed by Australia, Canada, Iran, USSR, West Germany and the Philippines.

Japan mostly needs and therefore imports raw material—mineral ore, textile raw material, other raw materials—to the extent of 38 per cent of all her imports. Over 27 per cent of her imports comprise manufactured goods in machinery, chemicals and other manufactured commodities; over 20 per cent is mineral fuel and over 14 per cent is foodstuffs.

I tried to make a study of what has accounted for Japan's remarkable success in export promotion. I found mainly these reasons:

(*a*) Aggressive salesmanship and capacity of penetrating each and every available market in the world. Japan has its agents all over the globe, both of government and of business houses who constantly keep in touch with buyers and the markets.

(*b*) Competitive ability of Japanese products, machinery in particular. This is the most important factor.

(*c*) As a result of the enforcement of market adjustment measures, manufacturers of Japan have become more export minded and reinforced their efforts to open up and enlarge export markets.

Our share of their exports is still comparatively small. There are now distinct signs of improvement. In fact there was an increase by 19 per cent in 1969. Japan now accounts for one-tenth of our export trade. I consider that there is still further scope for this improvement.

Shortage of Labour

The booming expansion of Japanese economy and industry in recent years has caused increasing shortage of labour particularly in secondary industries. This will leave Japan in all probability to open her market to import of processed and semi-processed goods, simple manufactures, parts and components and numerous other labour intensive items.

They include carpets, umbrellas, wigs, stationery, brushes, leather goods, wooden furniture, plywood, toys, sports goods, radio sets and components, workshop tools, thermos, ceramics, tiles, galvanised steel sheets, bicycles and parts etc.

The time is, therefore, ripe when India can supply components and semi-processed manufactures to Japan. Japan's needs of components are estimated to rise to $ 1000 million by 1974. We have a fine opportunity here but much will depend upon our capacity to supply. But we must be prepared to make components to their specifications. Studies in depth of market conditions, offering competitive prices, satisfying them about quality checks, will yield good results. In view of the complementary nature of our two economies and the vast untapped natural and manpower resources in India, there is considerable future for colateral development to the mutual benefit of both the countries.

Even today India is the single biggest supplier of several commodities to Japan, particularly iron ore, manganese ore, semi-tanned leather, mica, cashew kernels, sandal wood and so on. We also have a substantial share in the exports to Japan of pig iron, steel, scrap, raw cotton, coal, tobacco leaves, crude salt, oil cakes, chromium ore, spices, shrimps, etc.

The Indian population in Japan, about 2,000, mostly concentrated in the Osaka-Kobe area and some also in the Tokyo-Yokohama area, are in trade largely with other countries. In Osaka, they have a fairly lively chamber of commerce which is prepared to pull its weight for more trade with India.

Booming Economy of Hong Kong

Coming now to Hong Kong, the tiny gem of the east, it is another booming economy with a population of only four million of whom 98 per cent are Chinese, its prosperity is to be seen to be believed. Without any natural resources, Hong Kong is dependent mostly on imported raw material for its industry. It is today one of the most flourishing countries in the world.

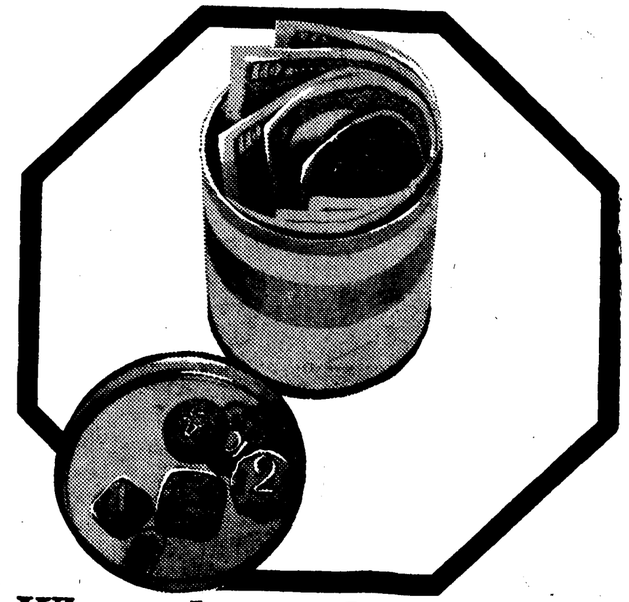
At one time the bastion of entrepot trade, it has today concurrently developed into a country with processing finesse and its industries have grown almost overnight. Between the intrepot trade and the manufactured commodities of their numerous industries, the colony's export trade is even bigger than that of our country.

Its heavy industries include medium size ship-building, repairing, iron foundries, rolling mills, while light industries include textiles (which is the biggest industry of Hong Kong today), electronics, garment-making, knit-wear, footwear, plastic wear, wigs and toys. Its economy mainly depends upon the export and import business. Ninety per cent of all that it manufactures is exported all round the globe.

Hong Kong entered the 1970 with a bang : that is, with a record trade in 1969. Its domestic exports for 1969 totalled $ 1,750 million showing an increase of 25 per cent over 1968. In addition there were re-exports which totalled another nearly $ 500 million. Its imports at $ 2,500 million also showed an increase of 20 per cent over 1968.

The growth of industry in Hong Kong owes a great deal to the very low cost of production.

In Hong Kong, there are no import-export or excise duties. An enterprise can import raw material and machinery



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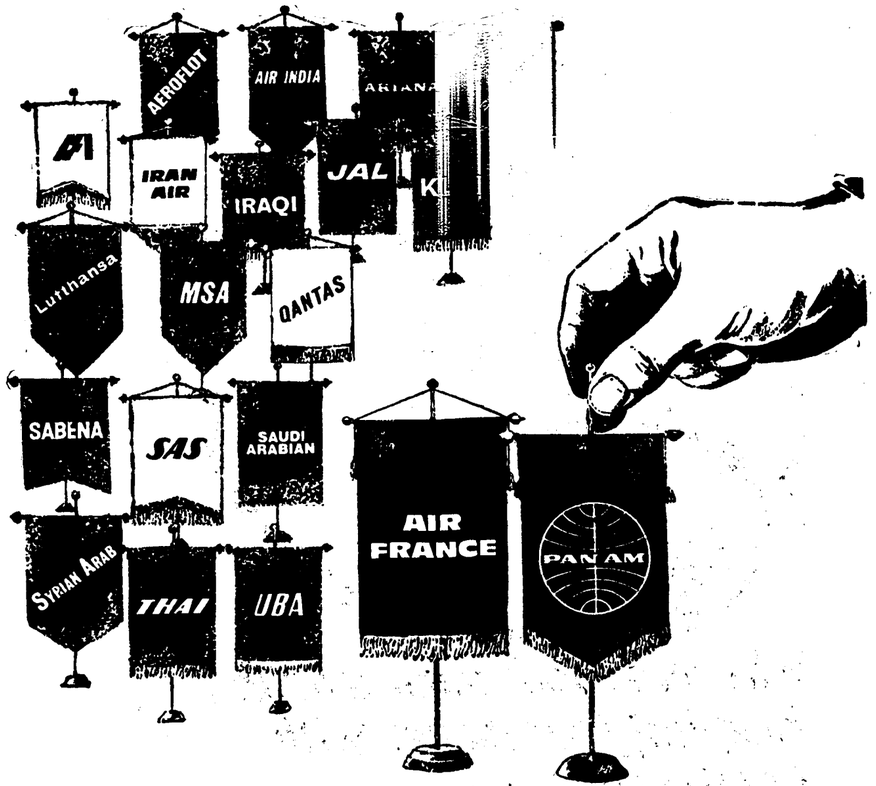

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Hong Kong has all the advantages of a free port. Perhaps our Nicobar and Andaman Islands could present similar opportunities and may be the Hong Kong of the future, who knows! In its beautiful harbour, vessels come from all over the world. Eighty vessels come in and go out daily. Handling and shipping are very speedy processes.

The freedom of currency transaction is an essential component of Hong Kong's success as a centre of world trade.

Judging, therefore, from all these advantages, Hong Kong can be utilised by India as an ideal take-off ground for various commodities which can be sold in different markets of the world via Hong Kong. As in the case of Japan, if we can meet their delivery requirements, the scope is enormous. Most importers in Hong Kong look at quick profits and, therefore, want prompt deliveries of indented goods.

Importers in Hong Kong have a world-wide choice to pick from. In view of this, the availability of credit greatly influences the actual selection of the products. Since everything is imported in Hong Kong, exporters from India should beneficially formulate short-term and long-term export plans.

Our Exports to Hong Kong

Today, India's total exports to Hong Kong are $ 15 million or Rs 112 million which shows an increase by 30 per cent over 1968.

The imports by India from Hong Kong average a little more than one million dollars or Rs 7 million. So, in my talks I was constantly confronted with the stress they laid on the importance of developing a two-way traffic.

Today our principal exports to Hong Kong comprise precious and semi-precious stones, human hair (ours are the best in quality), marine products, cashew nuts, mica, silk fabrics and sandal wood and bars and rods of steel.

There is scope for many other commodities to be exported. The Indian Institute of Foreign Trade has prepared a commodity-wise survey of a number of such new commodities. There are also a number of Hong Kong organizations such as the chambers of commerce, Hong Kong Trade Development Council, the Federation of Hong Kong Industry and Chinese Manufacturers' Association, ready to assist in market surveys and in all types of enquiries relating to business and delivery of products.

It would be of great advantage if Indian exporters and manufacturers were to open their offices in Hong Kong in view of the entrepot character of its trade.

Many Japanese, German, US, UK and even Chinese firms have opened their offices. By the way, it would be interesting to note that Mainland China has also opened huge departmental stores in Hong Kong selling articles at very cheap prices for the purpose of propaganda sales.

Scope for Joint Ventures

We have been conscious of the promotion of trade in Hong Kong to some extent. The STC is shortly to open its office and there may perhaps be an autonomous STC (east) in Hong Kong as well in the near future.

We have, however, been comparatively oblivious of the potentialities which investors in Hong Kong have for setting up joint ventures. The trend of foreign investment in Hong Kong shows an upsurge of interest by foreign companies. For example, in 1969 alone, as many as thirteen foreign owned factories commenced production. Major attractions for joint ventures are the highly efficient port to which I have referred and equally efficient banking and commercial services, no controls, no red tape and stable currency.

While dealing with Hong Kong, I cannot omit to mention the role of 5,000 Indians who are resident in Hong Kong and who are engaged in trading, banking, insurance and even in running factories. There are three Indian banks, two Indian insurance companies, one chamber of commerce and also some such industries as ready-made garments, toys, etc.

One entrepreneur from Bombay has also started a branch of his pharmaceutical firm in Hong Kong. Hong Kong imported over $ 40 million worth of pharmaceuticals in 1969, but India's share was barely $ 50,000 There is great scope to step it up. If we can have more of our Indian friends over there to participate in the trade with India, with their experience of Hong Kong, it would be possible to do even better than our present performance.

Sir Sikin Chow who was the leader of the Hong Kong delegation to India recently has been so much impressed by India's industrial growth and economic progress that he told me that if as much were known in Hong Kong as he had found out during his last trip to India, trade between our two countries would go up by leaps and bounds.

Finally coming to the Philippines, though it does not compare in its economy with Japan or Hong Kong, it is trying hard to find a place for itself in the economy of south-east Asia and considering the difficulties through which it has passed, it is making a commendable effort.

Though its economy is largely agricultural which sustains nearly two-thirds of the population and depends mainly on the production of copra, sugar, abaca, logs, pineapple, plywood and copper concentrates, some measure of industrialisation has recently begun to make its impact. Its investments in light and heavy industries have been geared towards a well-balanced agro-industrial economy. But its biggest problems like that of several other developing countries is that of unfavourable balance of payments and foreign loan obligation problems.

Conduct and Direction of Trade

So far as trade is concerned, it is free from any restrictions and except for some privileges which are reserved exclusively for Filipinos and some special rights for US citizens, the rest is free for all. At one time, much of the attraction of Philippines' trade was towards USA but a little over a decade ago, declining tariff preferences have changed the pattern and the vigorous salesmanship of Japanese entrepreneurs and businessmen, who have swarmed into the Philippines after normalisation was restored, has turned the tide towards the growth of Japanese influence in commercial and industrial sectors.

Our share of trade with the Philippines is about three million dollars of which about $ 2.5 million worth of goods are exported from India. Though comparatively small, India's exports have been showing a rising trend and last year they increased by $ 700,000. This is due, to my mind, to greater consciousness in the Philippines about what India has to offer thereby exposing the possibilities of how much more can be done were our manufacturers and exporters to explore potentialities in the Philippines more thoroughly. Its economy, being free, is amenable to direct approach by private sector in other countries.

The trade agreement between the two countries in 1968 has been helpful.

There may not be much scope for consumer goods—though I found they are keen on buying our fruits and our fruit exporters had not given them a fruitful response. The expanding industrial structure of the Philippines requires larger quantity of raw material, equipment, etc. and also a few light engineering products. This way we can step in, but it may require considerable effort in terms of promotion, public relations and commercial exploration before we can hope to succeed.

India today exports to the Philippines, cables, wires, jute sacks, statistical and accounting machines, shellac, bovines for breeding purposes, salt, jute fabrics, parts of vehicles, jeeps and trucks, diesel engines, antibiotics, iron and steel bars and rods, aluminium and its alloys while exports to India from the Philippines comprise only abaca, rice, twines and ropes.

Joint Ventures in Philippines

In my discussions, I found the greatest possibilities of participation between India and the Philippines in the sphere of joint ventures. Recently under their Investment Incentive Act, Philippines government set up a board of investment. Any duly classified industrial enterprise registered with it, would be entitled to special incentives. They include deduction in organizational and pre-operative expenses, accelerated depreciation, net operating loss carried over, tax exemption on capital equipment, permission to employ foreign nationals, deduction for expansion by reinvestment, anti-dumping, promotion and protection from government competition and not the least the pioneering ventures would be exempted from all taxes except income-tax right up to 100 per cent up to 1972 and progressively lower exemptions up to 1981 and for such pioneer status, foreign participation is not limited to 40 per cent as in the case of others.

Under as many as 17 headings, nearly a hundred industries have been included in the priorities plan. Joint ventures in diesel engines have already been approved for India and for machine-tool manufacture are under consideration.

From India's point of view, joint ventures are mostly a means of export of industrial machinery. It would be better if industrial machinery can be sold directly. Besides it will involve no delayed payments and export of goods through joint ventures may not bring it foreign exchange for some years. Joint ventures should best be considered if India has surplus of industrial machinery over and above what she can sell outright.

If however, a joint venture is assured of success, it should be favoured because it means high profits and royalty and therefore higher exchange for a long period. Besides, developing countries, which have great regard and respect for us, would like us to set up joint ventures in their countries. It therefore helps to create better climate for the future as well.

The Philippines offers substantial incentives to foreign investors.

Shipyards and Ports

Shipyards and ports play a vital role in the economic development of Japan and Hong Kong. Some 68 per cent of India's total overseas trade in weight consists of bulk cargo, but it is general cargo which accounts for about 75 per cent of export earnings. While bulk cargo is carried by tramps, general cargo is carried by liner ships and, therefore, is most important. The question is adequacy of services and at least two regular services a month are needed to these countries.

The world-famous ports of Japan such as Yokohama, Kobe, Osaka and others with their container terminals and of Hong Kong where a huge container terminal is on the way, should be an eye-opener for us of how much we can exploit the natural advantage of our harbours by fully developing and expanding them. We should also start becoming container-conscious, because the world is rapidly stepping into the con tainer age and the progressive economy of our country cannot afford to be left behind in this respect.

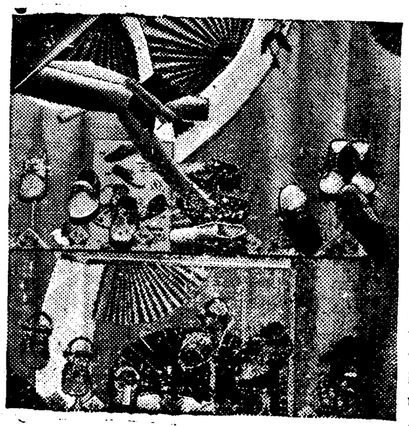
This is the picture I gathered in these three countries of south-east Asia where I made a special study of economic conditions and scope of participation with our country.

AGRICULTURAL PRODUCTION : AREA AND YIELD
• Index Numbers
[Base : 1949-50 to 1951-52 (average)=100]

Year†	Area*	Index Numbers of Production*	Index Numbers of Yield Per hectare@
1950-51	100.0	100.0	100.0
1951-52	101.8	100.7	98.9
1952-53	105.6	107.1	101.4
1953-54	109.1	113.7	104.2
1954-55	112.2	118.7	105.8
1955-56	113.8	122.2	107.4
1956-57	114.6	121.8	106.3
1957-58	116.1	127.5	109.8
1958-59	117.7	129.6	110.1
1959-60	119.7	138.5	115.7
1960-61	121.2	142.4	117.5
1961-62	122.4	145.5	118.9
1962-63	123.4	145.9	118.2
1963-64	123.9	150.9	121.8
1964-65	122.7	148.3	120.9
1965-66	122.0	144.3	118.3
1966-67	122.8	144.9	118.0
1967-68	124.6	153.9	123.5

† The agricultural year is July-June.
* Three-year moving averages.
@ Derived from columns 2 and 3.

Beyond a Bata window



A Bata shopwindow naturally arrests attention. And when you gravitate to it, you're at once transported to an entirely new world. You picture everybody—men and women, boys and girls, old and young, all seem to step out of the Bata shopwindow—beautifully shod.

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An entire army of 22,000 highly skilled personnel, and factories equipped with the most modern machines, for the production of 200,000 pairs of footwear a day. Despite that output, intricate shoe engineering blends skilfully with the craftsman's individual artistry.

Moreover, there are devoted hands fitting shoes to eager feet in over 1100 Retail Stores and Agencies, 430 Wholesale Depots, Dealers and Distributors.

There are whole townships exclusively for Bata employees, who make shoes not only for you, but also 10,000,000 pairs for people all over the world—including those in the most sophisticated countries.

This is only a fleeting glance.

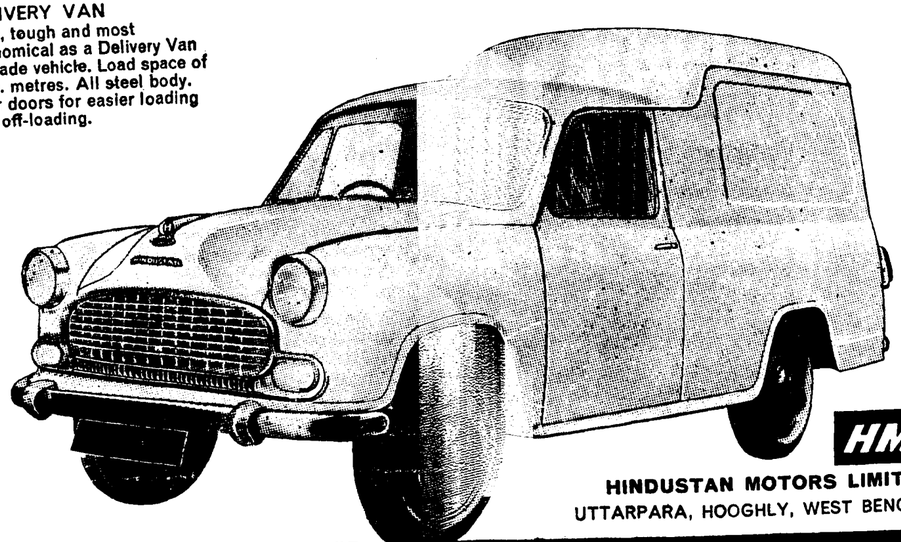
Come again with us into this domain of footwear and take a relaxed look at each facet of the impressive Bata mosaic.

Bata

Four-in-One
HINDUSTAN
Half Tonne Driveaway Chassis

This versatile chassis offers you the best value for money.
It is specially designed to facilitate easy body construction for special needs.
It is ideal as a station wagon, delivery van, ambulance or pick-up van.

DELIVERY VAN
Safe, tough and most economical as a Delivery Van or trade vehicle. Load space of 3 cu. metres. All steel body. Rear doors for easier loading and off-loading.



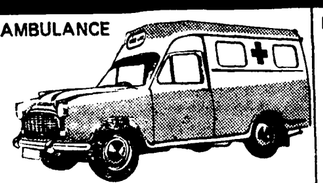
HM

HINDUSTAN MOTORS LIMITED
UTTARPARA, HOOGHLY, WEST BENGAL

STATION WAGON

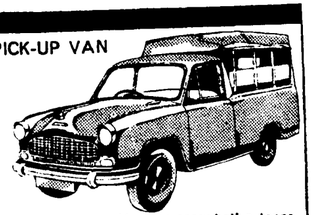
A spacious Station Wagon for six passengers. Ideal for comfortable, long-distance travel.

AMBULANCE



Convenient and useful as Ambulance. Fast, fully equipped, with room for one stretcher and folding bench-type seat for attendants.

PICK-UP VAN



As Pick-up Van can carry half a tonne payload. Floor area of 2.4 sq. metres. Extra long platform and provision for longitudinal bench-type seats.

Special Features: Power-packed 14 H.P. 4 Cylinder O.H.V. Engine. Mechanical Fuel Pump. S.U. Auto Carburetter. Four Speed Synchromesh Gear Box. Three-spoke safety steering wheel designed for easy control, small turning circle and long life.

SALES AND SERVICE THROUGHOUT THE COUNTRY

CONVENTIONAL* ESTIMATES OF NET NATIONAL PRODUCT (*i.e.*, NATIONAL INCOME)

Year	Net national product (Rs crores)		Per capita net national product (Rs)		Index number of net national product (1948-49=100)		Index number of per capita net national product (1948-49=100)	
	At current prices	At 1948-49 prices	At current prices	At 1948-49 prices	At current prices	At 1948-49 prices	At current prices	At 1948-49 prices
1948-49	8650	8650	249.6	249.6	100.0	100.0	100.0	100.0
1949-50	9010	8820	256.0	250.6	104.2	102.0	102.6	100.4
1950-51	9530	8850	266.5	247.5	110.2	102.3	106.8	99.2
1951-52	9970	9100	274.2	250.3	115.3	105.2	109.9	100.3
1952-53	9820	9460	265.4	255.7	113.5	109.4	106.3	102.4
1953-54	10480	10030	278.1	266.2	121.2	116.0	111.4	106.7
1954-55	9610	10280	250.3	267.8	111.1	118.8	100.3	107.3
1955-56	9980	10480	255.0	267.8	115.4	121.2	102.2	107.3
1956-57	11310	11000	283.3	275.6	130.8	127.2	113.5	110.4
1957-58	11390	10890	279.6	267.3	131.7	125.9	112.0	107.1
1958-59	12600	11650	303.0	180.1	145.7	134.7	121.4	112.2
1959-60	12950	11860	304.8	279.2	149.7	137.1	122.1	111.9
1960-61	14150	12730	326.0	293.2	163.6	147.2	130.6	117.5
1961-62	14770	13060	332.9	294.3	170.8	151.0	133.4	117.9
1962-63	15380	13300	339.0	293.1	177.8	153.8	135.8	117.4
1963-64	17200	13950	370.7	300.6	198.8	161.3	148.5	120.4
1964-65	20390	14980	429.5	315.6	235.7	173.2	172.1	120.4
1965-66(P)	20590	14640	423.9	301.4	238.0	169.2	169.8	120.8
1966-67(P)	23600	15050	474.8	302.8	272.8	174.0	190.2	121.3
1967-68(P)	27590	16520	541.8	324.4	319.0	191.0	217.1	130.0
Annual Growth Rate during—								
First Plan	0.9	3.5	—0.9	1.6				
Second Plan	7.3	4.0**	5.1	1.8**				
Third Plan	7.7	2.8	5.4	0.6				

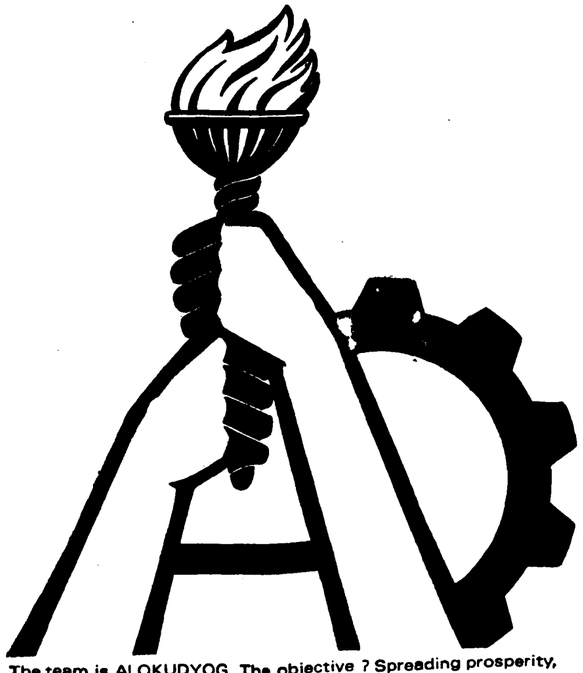
(P) Provisional.
* Estimates are described as "conventional" to distinguish them from the "revised" series.
** The estimates of production of foodgrains from 1959-60 and those of sugarcane from 1960-61 are not strictly comparable with those for the earlier years. Adjusted for such statistical changes, the annual increase in total national income and in per capita income during the second plan period works out to 3.8 per cent and 1.7 per cent respectively.

AGRICULTURAL PRODUCTION

	Unit	1949-50	1950-51	1955-56	1960-61	1965-66	1966-67	1967-68	1968-69
A. Foodgrains	M.Tonnes	60.65	54.92	69.22	82.02	72.02	74.23	95.05	94.01
Cereals	,,	50.63	45.74	57.53	69.31	62.23	65.88	82.95	83.59
Rice	,,	25.11	22.07	28.67	34.57	30.66	30.44	37.61	39.76
Wheat	,,	6.76	6.83	8.87	11.00	10.42	11.39	16.54	18.65
Jowar	,,	6.96	6.25	6.73	9.81	7.53	9.22	10.05	9.80
Bajra	,,	3.19	2.67	3.46	3.28	3.66	4.47	5.19	3.80
Other cereals	,,	8.61	7.92	9.80	10.65	9.66	10.36	13.56	11.58
(b) Pulses	,,	10.02	9.18	11.69	12.71	9.80	8.35	12.10	10.42
of which :									
Gram	,,	3.90	3.82	5.41	6.25	4.21	3.62	5.97	4.31
B. Non-foodgrains									
(a) Oilseeds†	,,	5.16	5.09	5.63	6.98	6.35	6.43	8.30	6.93
of which :									
Groundnuts	,,	3.39	3.43	3.81	4.81	4.23	4.41	5.73	4.48
Rapeseed and mustard	,,	0.81	0.77	0.86	1.35	1.28	1.23	1.57	1.57
(b) Sugarcane (in terms of gur)††	,,	6.09	6.92	7.29	11.20	12.10	9.50	9.79	12.00
(c) Cotton (lint)	Mn. Bales@	2.62	2.90	4.03	5.29	4.76	4.97	5.45	5.27
Jute	,,	3.30	3.51	4.48	4.13	4.47	5.36	6.32	3.05
Mesta	,,	0.67	0.67	1.17	1.13	1.29	1.22	1.27	0.91

* Figures for 1949-50 to 1959-60 are adjusted with 1960-61 Fully Revised Estimate as base. Figures up to 1964-65 are Fully Revised Estimates, those for 1965-66 to 1967-68 are Partially Revised Estimates and those for 1968-69 are Final Estimates of Production.
† Include groundnuts, rapeseed and mustard, sesamum, linseed and castorseed.
†† Adjusted on the basis of 1961-62 (Fully Revised) data.
@ Bale=180Kgs.

SO DIVERSE,
SO DISPERSED,
AND YET
ONE TEAM,
ONE OBJECTIVE!



The team is ALOKUDYOG. The objective ? Spreading prosperity, through increased productivity, with enlightened enterprise. Cement. Plywood. Coal. Jute. Minerals. And farming. So diverse and yet one, with singleness of purpose.

DEDICATED TO NATIONAL PROSPERITY

ALOKUDYOG

THE JAIPUR UDYOG LTD.
JAI AGRO INDUSTRIES LTD.
KANPUR JUTE UDYOG.
THE JAIPUR UDYOG (NIGERIA) LTD.

BAGALKOT CEMENT CO. LTD.
ALOKUDYOG VANASPATI & PLYWOOD LTD.
SAHU MINERALS & PROPERTIES LTD.
ALOKUDYOG OVERSEAS LTD.

NEWFIELDS

Company Affairs

STRAW PRODUCTS

MR H.S. Singhania, Managing Director of Straw Products Ltd told the shareholders at the annual general meeting held recently that the company proposes to expand its operations in the next few years in the same manner as it had done during the previous years. He revealed that since its inception in 1938, the company has increased its share capital to Rs 2.71 crores as against Rs 7.50 lakhs in the beginning. Similarly, during these years its sales increased to Rs 7.21 crores as against Rs 7.90 lakhs and production capacity increased from 4,500 tonnes to 33,000 tonnes. He indicated that one new machine will go into operation before the end of this year and another is expected to arrive in early 1971 which will go into operation before the middle of 1972. After these additions, the capacity of the two units will be raised to nearly 42,500 tonnes.

Mr Singhania pointed out that paper industry during the last five years has suffered because of abnormally low return on capital, which was around 5.5 per cent to 7 per cent in this industry as against an average of 9 to 10 per cent for all industries. Against this the Tariff Commission in 1959 had considered a return of 12 per cent on capital employed as fair for the paper industry. He added that there is a considerable shortfall in the production of paper, newsprint and paper board, so that capacity of nearly 400,000 tonnes is to be created during the fourth Plan period. This will involve the mobilisation of Rs 290 crores in the private sector. The reserves and cash with most of the existing units would not be sufficient for such an investment, He, therefore, stated that the equity-debt ratio will be changed from 1:2 at present to 1:3. For this, he suggested that loans would be necessary with long periods of repayment and low rates of interest.

TATA IRON

Mr J.R.D. Tata, Chairman of the Tata Iron and Steel Company Ltd told the shareholders that the recession in the demand of steel which prevailed in this country two years ago had totally disappeared and there is going to be an acute shortage of steel particularly in flat rolled products and quality steels, which will inevitably restrict the growth of industry, aggravate inflationary trends already rampant in the country, and cost heavily in foreign exchange both in imports of steel and the loss on exports. Mr Tata indicated that the government's plans for a substantial expansion in the steel capacity will take a long time. Moreover, the expansion of the existing plants is less costly and much easier to effect than setting up new plants. While the expansion of the public sector plants has been slow, no advantage is being taken of the potential of private sector plants. Thus the country's larger interests are being sacrificed at the cost of ideological dogma, he added. Referring to the inflationary increases in costs, Mr Tata stressed that over the past five years, the cost of coking coal has risen by 50 per cent, of limestone by 40 per cent, of smelter by 142 per cent and of refractories by 36 per cent. Mr Tata hoped that within a year or two the company would be able to re-establish full production but there were no signs of stabilisation of prices and costs.

Mr Tata stated that the company has in the previous year studied many alternatives of modernisation and replacement programme and it hoped to come to a final conclusion in the current year. The long-term project could cost anything between Rs 100 crores and Rs 150 crores depending on the objectives, which themselves will depend on the government's policies and the company's ability to finance the project. Mr Tata assured the shareholders that the management will not undertake any major programme which will be unfair to them. Thus the directors have not agreed to attach a right of conversion into equity to a part of the proposed debentures, which the financial institutions sought to impose as a condition of their support to the issue. If the government does not sanction these terms, the company will be forced to reduce the magnitude of the debenture issue, which, in turn, will delay the completion of the programme, he added.

RUBY GENERAL INSURANCE

Mr B.P. Khaitan, Chairman, Ruby General Insurance Company Ltd told the shareholders at the annual general meeting that the total net premium income of the company increased during the year 1969 to Rs 3.95 croes as against Rs 3.69 crores a year before. The working for the year, he added, had resulted in a profit of Rs 56.89 lakhs after writing off Rs 19.39 lakhs as depreciation on investments and land as against Rs 45.57 lakhs last year. In line with the improved performance of the company, the directors have proposed to increase the dividend from Rs 1.25 per share to Rs 1.50 per share, inclusive of the interim dividend. The total dividend payment would amount to Rs 10.50 lakhs as against Rs 8.75 lakhs last year.

Mr Khaitan pointed out that general insurance is essentially a servicing industry and the insuring public required prompt attention, which might not be possible if general insurance were to lie in the nationalised sector. He therefore, pointed out that the government should make a categorical statement about their policy and remove the uncertainty regarding nationalisation of general insurance. He also suggested that the union government should take early steps to recover the assets of Indian insurance companies lying in Burma and Pakistan.

JIYAJEERAO COTTON

Jiyajeerao Cotton Mills Ltd has reported favourable results during the year ended March 31, 1970 with improvement in sales and profits. The directors have proposed to raise the equity dividend from 12.5 per cent to 15 per cent. Sales have increased to Rs 26.37 crores from Rs 24.59 crores. The gross profit has risen to Rs 386.56 lakhs from Rs 271.70 lakhs. After providing Rs 119.51 lakhs for depreciation, Rs 41.26 lakhs for development rebate reserve, Rs 9.96 lakhs for managing agents' remuneration and Rs 98 lakhs for taxation, the net profit works out at Rs 117.83 lakhs. After some adjustments, the directors have transferred Rs 121.34 lakhs to general reserve, from which equity dividend amounting to Rs 69.55 lakhs and preference dividend amounting to Rs 9.30 lakhs will be paid.

A sum of Rs 78.96 lakhs was spent on modernisation of the textile division. The programme is being continued in the current year. The output in the chemical division at Porbandar was higher. Production of soda ash was 141,000 tonnes, of caustic soda 20,252 tonnes, of refined sodium bicarbonate 4,524 tonnes and of ammonium bicarbonate 144 tonnes. The demand for soda ash and caustic soda has been rising steadily. However, the government has turned down the company's proposal for expanding the soda ash capacity from 500 tonnes to 800 tonnes a day. The company is, however, in touch with the authorities for reconsideration of the matter. The company has applied for an industrial licence to manufacture 100 tonnes a day of caustic-

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of bamboo eucalyptus and wood

Regd. Office :

BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut. Phone : 3971-74

chlorine and the project will be located near the petro-chemical complex at Baroda. The capacity of the salt works is being raised to meet the company's increasing requirements of sale.

HINDUSTAN LEVER

Hindustan Lever recorded a modest rise in turnover in the first half of the current year over that in the same period of 1969. The company, however, earned a lower profit during the period. The management is hopeful that there will be a partial recovery in profits in the second half of the year. The company's turnover in the first half of the current year has amounted to Rs 59.39 crores compared with Rs 54.07 crores in the same period of 1969. According to the figures released by the company, the profit before tax for the first half of 1970 has been at Rs 2.23 crores compared with Rs 3.21 crores in the same period of the previous year. After providing Rs 1.20 crores for taxation and Rs five lakhs for capital expenditure on scientific research, the net profit for the first half of 1970 amounts to Rs 98 lakhs against Rs 144 lakhs. The lower profits during the current year have been attributed to the sharp increase in costs of raw materials which were not adequately compensated under controls that apply to selling prices. Exports were, however, substantially higher at Rs 3.19 crores in the first half of 1970 compared with Rs 1.12 crores in the corresponding period of 1969. During 1969, the company's turnover was Rs 108.79 crores. It earned a pre-tax profit of Rs 6.16 crores. After providing Rs 3.31 crores for taxation and Rs 10 lakhs for capital expenditure on scientific research, the net profit had amounted to Rs 2.75 crores. The company had paid an equity dividend of 14 per cent for the year.

BHARAT COMMERCE

There was a 30 per cent increase in sales from Rs 13.02 crores to Rs 16.94 crores in the case of Bharat Commerce and Industries Ltd during the year ended December 31, 1969. The preliminary statement reveals a higher gross profit of Rs 128.91 lakhs as against Rs 80.66 lakhs in the previous year. After providing Rs 1.05 lakhs for directors' remuneration, Rs 49.32 lakhs for depreciation, Rs 2.60 lakhs for development rebate reserve and Rs 35 lakhs for taxation, there is an available sum of Rs 41.03 lakhs. The whole amount is transferred to general reserve. In the preceding year a sum of Rs 3.20 lakhs was allocated to capital reserve and the balance of Rs 20.29 lakhs to general reserve. The directors have proposed to maintain the equity dividend at Rs 1.50 a share, payable out of general reserve.

DENA BANK

Dena Bank opened its 300th branch in Caclutta on August 4, 1970. The opening of the 300th branch marked another milestone in the bank's march towards progress. The bank will now have six branches in the metropolitan city of Calcutta and one branch in Howrah. Dena Bank registered an all-round progress during the year 1969. There was a record increase of Rs 20.64 crores in its deposits during 1969, the total deposits excluding inter-bank deposits increasing from Rs 110 crores as at the end of last Friday of 1968 to Rs 130 crores. The increase in aggregate deposits in 1969 worked out to 18.8 per cent. The bank has intensified its drive for deposit mobilisation and efforts are being concentrated on tapping rural deposits. During 1969, the bank opened 44 branches out of which 32 branches were in rural centres with population below 10,000. During January-June 1970, 32 new branches were opened of which 25 were in rural areas. Of the 292 branches of the bank at the end of June 1970, 90 branches were in rural areas, 74 in semi-urban centres, 47 in urban centres and 81 in metropolitan cities.

REMINGTON RAND

The annual report of Remington Rand of India Ltd, has revealed that the company recorded a deficit balance as a result of prolonged strike for about seven months at the company's Howrah factory, stopping all manufacturing ing activities. This has caused a serious impact on the operations of the company for the year ended March 31, 1970 with sales dropping by about 39.1 per cent to Rs 2.74 crores from Rs 4.50 crores. The company has incurred a loss of Rs 53.03 lakhs for the year against a profit of Rs 23.99 lakhs for the previous year after providing Rs 13.72 lakhs for depreciation. In view of losses, no provision for taxation has been made against Rs 13 06 lakhs. The entire loss has been set off by transferring Rs 2.20 lakhs from development rebate reserve and Rs 51.23 lakhs from general reserve, leaving a surplus of Rs 41,850 to be credited to development rebate reserve. It has skipped ordinary dividend for the year against 10 per cent in the previous year. Due to insufficient reserves, the dividend on preference shares has also been carried to the next year. The directors state that sales during the first three months ended June 1970 have been higher than the comparable figure for the previous year and the order book of the company continues to be satisfactory. Barring any major disruption of the manufacturing operations resulting from the deteriorating labour and political conditions in West Bengal, the current year is being observed with cautious optimism.

CAPITAL AND BONUS ISSUES

Consent has been accorded to eight companies to raise capital of over Rs 1.68 crores. Five of them are to issue bonus shares totalling over Rs 32.08 lakhs and the amount of bonus shares ranges between Rs 3,27,400 and Rs 12,50,000. The consents are valid for twelve months. The following are the details:

The G.L. Hotels Ltd, New Delhi, has been accorded consent to capitalise Rs 4,00,000 out of its capital reserves and issue 40,000 fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of one bonus share for every four equity shares held.

The Silver Cotton Mills Company Ltd, Ahmedabad, has been accorded consent to capitalise Rs 3,27,400 of its general reserves and issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every four equity shares held.

The Nagri Mills Company Ltd, Ahmedabad, has been accorded consent to capitalise Rs 7,35,000 out of its general reserves and issue fully paid equity shares of Rs 500 each, as bonus shares, in the ratio of one bonus share for every two equity shares held.

The Phaltan Sugar Works Ltd, Bombay-1, has been accorded consent to capitalise Rs 12,50,000 out of its general reserves and issue fully paid equity shares of Rs 50 each, as bonus shares, in the ratio of one bonus share for every four equity shares held.

Chemicals & Alkali Distributors Ltd, Bombay, has been accorded consent to capitalise Rs 4,96,000 out of its general

THE AMALGAMATED ELECTRICITY COMPANY LTD

Registers of members and Transfer Books of the Company will be closed from 7th September, 1970 to 26th September, 1970, both days inclusive, in connection with Dividend.

By Order of the Board

For The Amalgamated Electricity Co. Ltd.

KIRAN N. JAVERI
Director.

Registered Office :
17-B, Horniman Circle,
Fort, Bombay-1.
Date : Ist August, 1970.

reserves and issue fully paid equity shares of Rs 500 each, as bonus shares, in the ratio of one bonus share for every two equity shares held.

The Binod Mills Company Ltd, Ujjain (MP), has communicated to government its proposal to issue capital of Rs 40,00,000, under clause 5 of the Capital Issues (Exemption) Order, 1969, comprising 40,000 equity shares of Rs 100 each. The amount is to be used to reduce the disparity between capital block and the capital actually employed, as well as to improve the debt-equity ratio.

Shree Krishna Gyanoday Sugar Ltd, Calcutta, has communicated to government its proposal to issue capital of Rs 50 lakhs, under clause 5 of the Capital Issues (Exemption) Order, 1969, comprising mortgage debentures carrying interest at 7.75 per cent per annum. The debentures shall be payable to registered holders only. The proceeds are to be utilised to strengthen financial position of the company.

Inchek Tyres Ltd, Calcutta, has communicated to government its proposal to issue capital of Rs 46.8 lakhs for cash at par, under clause 5 of the Capital Issues (Exemption) Order, 1969, in equity shares. The shares shall be offered to the existing equity shreholders in terms of Section 81 of the the Companies Act. The proceeds are to be utilised to provide part of the finance for its expansion.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ended March 28, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

LICENCES ISSUED

Dye Stuffs

M/s Amar Dye Chem Ltd, Rang Udyan, Sitadevi Temple Road, Mahim, Bombay 16, Maharashtra; (1) H Acid and (2) Tobias Acid; Capacity; (1) 120 tonnes per annum; (2) 60 tonnes per annum (NA).

Drugs & Pharmaceuticals

M/s Ranbaxy Laboratories Okhla, New Delhi-20, Delhi; (1) Alpha Chymotrypsin tablets — 5 mg; one million tablets (2) Alpha Chymotrypsin Ointmnet 3 mg/gm 40,000 tubes; (3) Alpha Chymotrypsin Injection (5 mg Vials); 40,000 Vials; (4) Epsilon Amino Caproic Acid Suspension 250 mg/ml 20 cc ampoules (NA).

Food Processing Industry

M/s Raghunandan Prasad Mohan Lal, Shri Shankar Flour Oil & Rice Mills, Bareilly, UP; Wheat Products 950 tonnes per month in terms of wheat (COB).

Rubber Goods

M/s Premier Tyres Ltd, Merchant Chamber 4, New Marine Lines, Bombay —20 (BR), Kerala; Bicycle Tyres & tubes — 2 million Nos. each p.a. (NA).

Glass

M/s Hindustan National Glass Mfg Co. Ltd, 2 Wellesley Place P.B. No. 2722, Calcutta-1, Haryana; Glass Bottles — 22,800 tonnes per annum (SE).

LETTERS OF INTENT

Metallurgical Industries

M/s National Standard Duncan Limitted, Nirmal 17/18 Floor, 241-242 Backbay Reclamation, Nariman Point; Bombay-1, (BR), Maharashtra; Steel Wires viz. Tyre Bead Wires, Wires of 18 Gauge and thinner, 3,400 tonnes per annum (SE).

Electrical Equipment

M/s Indian Detonators Ltd, P.B. No. 1, Sanat Nagar (I.E.) P.O. Hyderabad, Andhra Pradesh; Exploders, (For Gassy Mines), 500 nos. per annum (NA)

Industrial Machinery

M/s K.G. Khosla & Co. Pvt. Ltd., 1 Deshbandhu Gupta Road, New Delhi —55, Haryana; Air & Gas Compressors of above 100 c.f.m. upto 3000 c.f.m. not exceeding 10 atm (14 Psi); Capacity: 60 nos. per annum on maximum utilisation of plant and machinery (SE)

Chemicals

M/s Abbot Laboratories North Chicago Illinois, (6006), USA, Maharashtra or Gujarat or Andhra Pradesh or Mysore; Gibberalic Aci—365 Kgs.p.a. Erythromycin 400 kgs. p.a., Cyclohexalmine 1000 tonnes p.a., Discyclohexalmine 30 tonnes p.a., Cyclomates 30 tonnes p.a. Thiopentone Sodium 1000 Kgs. p.a., Veterinary Products 120 tonnes p.a.

New Pharmaceutical Products

Ferrogadumet 23 million tablets, Parmet 3.82 million tablets, Ibert—500, 2.85 million tablets, Ferrograd—500—2.33 million tablets, Pentrane 2400 bottles of 125 ml. each, I.V. Solutions 8,50,000 litres of IV Solutions & Sets. (NU).

Food Pocessing Industry

Dr L.C. Sikka, C/o Western States Agencies, Motilal Atal Road, Jaipur, Rajasthan; Infant Milk Food 2500 tones p.a., Sweetened 3000 tonnes p.a., Whole Milk Powder 1500 tonnes p.a., Processed Cheese 300 tonnes p.a, (NU).

LICENCES REVOKED/SURRENDERED

(Information pertains to particular licences only.

M/s Hoechst Pharmaceuticals Ltd, Bombay; Omnadin Injections; M/s. G.G. Dandekar Machine Works Ltd, Bhiwandi. Maharashtra; Radial Drilling and Milling Machines.

CHANGE IN NAMES (OWNERS OR UNDERTAKINGS)

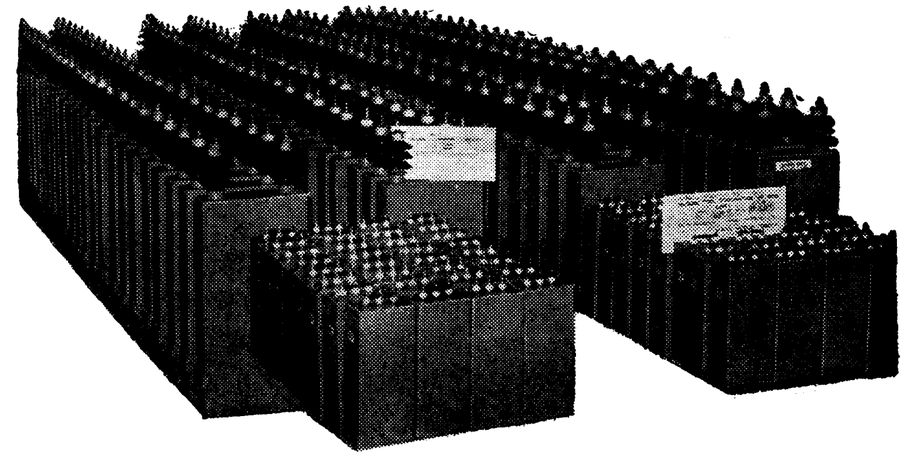
(Information pertains to particular licences only).

From M/s J.K. Cotton Spinning & Weaving Mills Ltd., Kanpur to M/s J.K. Satoh Agricultural Machines Ltd., Kanpur: from Hylam Ltd to Bakalite Hylam Ltd, from M/s Mukesh Textile Mills (P) Ltd, to M/s Shree Mukesh Textile Mills (P) Ltd.

Eastern Economist 25 Years Ago

AUGUST 17, 1945

Following the news that the Egyptian Government has approached the British Government for a revision of the 1936 Treaty, comes the news that the Egyptian Finance Minister threatens to resign if the British Government does not agree to the abolition of the British Cotton Export Control Committee. The British Government has been till now purchasing the whole of the Egyptian crop and crediting the purchase price to the account of the Egyptian Government in blocked sterling, which has by now swollen to £ 400 million. This phenomenon is very much similar to what we are familiar here and is in fact common to the whole of the Middle East. Wherever the British are in effective political control, they behave just in the same manner. It is really a political problem. That is the reason why all political parties in Egypt have demanded a revision of the 1936 Treaty. The Iranian Delegation made a similar request during its stay in London. The solution lies in the withdrawal of military control. The Egyptians have found by experience that their independence amounts to pretty little in the presence of British troops on the Egyptian soil and in full military control of the Suez and the Nile. Hence the Egyptians have demanded a revision, though it is due only in 1956.



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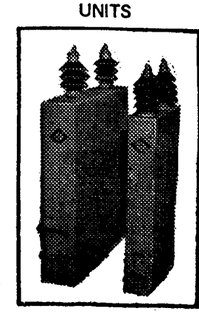

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COMPANY MEETINGS

INDIA TOBACCO COMPANY LIMITED

Speech by the Chairman, Mr. A. N. Haksar, at the Fifty-ninth Annual General Meeting of the Company on 6th August, 1970.

Introduction—Indian Shareholders—Review

I HAVE great pleasure in welcoming you to the 59th Annual General Meeting of your Company and the first under its new name INDIA TOBACCO COMPANY LIMITED. I must also welcome our new shareholders at this the first A.G.M. since the public issue in January this year. India Tobacco Company now has over 20,000 Indian shareholders whose an original cash

MR. A. N. HAKSAR

investment of around 6 crores of rupees represent a larger Indian public commitment than in any other Company in the Industry. Your Board are keenly aware of the responsibility they bear to justify the confidence of those who have invested in the future of this Company.

Your Company completes sixty years of operation this year and 1970 is a land-mark in its history. You can be proud of your Company's past achievements, and the change of name coming, as it does in this diamond jubilee year, is perhaps the culmination of a continuing commitment—an outward and visible sign of the many changes which have already taken place towards integration of the Company with the country in which it operates. The stake of the Indian shareholder has thus been raised in the equity and further steps in this direction will be taken as additional finance is required. This is not to deny the Company's obligations to its overseas shareholders who have extended their support from the inception of the Company towards identifying its own progress with the welfare of India.

A reivew of the year's trading has been included in the Report of the Directors. I am sure you will agree with me that the results have been most satisfactory and barring unforeseen circumstances your Board feel confident that the progress will be maintained. I would, however, like to highlight three significant achievements of your Company in the year under review.

1. At the World Selection for tobacco and tobacco made products held at Brussels in November 1969, four ITC brands of cigarettes received Awards. INDIA KINGS won a Gold Medal for the second time, the first being in 1967. WINDSOR and SIMLA won Silver Medals and LEX a Bronze Medal. These World Awards are a tribute to the quality and excellence of your Company's products. They reflect your Company's belief that the consumer always comes first, must always be satisfied and be given the very best value for his money.

2. In the Export field, your Company's sister concern leaf suppliers, Indian Leaf Tobacco Development Co. received in November 1969 the Government of India Certificate of Merit for Outstanding Export Performance of around Rs 15 crores in 18 months between October 1966 to March 1968.

3. In the domestic market, in keeping with the market trend for filter tipped cigarettes and to meet the needs of the public, BRISTOL Filter Tipped was introduced at the beginning of the year under review, it found ready acceptance with consumers and is already the highest selling filter cigarette of its kind in its price class.

Professional Management—Concepts—Ingredients

In my talk last year I reviewed the overall operations and contributions of your Company. This year I woud like to talk about your Company's Management. This does not mean that we are unmindful of the contributions of our employees who are not Management members. Your Board believe that the most important resource in any enterprise are the people that work in it, and I would like to acknowledge our appreciation of the work and effort put in by each and everyone of our employees. I wish, however, to elaborate on the subject to Management this year.

The tradition of Professional Management which your Company has inherited from its overseas investors, is, perhaps, its most significant characteristic. The main ingredients of this Professional Management are fourfold :

1. FIRST the divorcing of ownership from control.

2. SECOND the way in which a commercial enterprise is viewed in its purposes, objectives and responsibilities and the values that are applied in the conduct of its affairs.

3. THIRD the attitudes and beliefs of Professional Management that guide their thinking in the utilisation of resources.

4. FOURTH the application and expertise to the business of "Managing".

Professional Management—Control—Board Responsibilities

The first of these, the divorcing of ownership from control, can be regard-

ed as the crucial concept which distinguishes Professional Management and has in it the inherent approach of a Trust. Ever since the idea of the joint stock company evolved, the trend has been towards divorcing ownership from control. The feature of the joint stock company has been increasing large scale production which results from judicious combination of innovation and technological progress. And if the sheer size of modern enterprises had not ousted the owner-manager, the need for public investment to finance growth has meant that shareholders have found it convenient for obvious reasons to delegate the job of controlling the enterprise to a Board of Directors appointed by them. The effect has been corporate autonomy—the legal responsibility for running the Company is borne by the Board of Directors in whom all the powers of management are invested.

ITC is a Company in which the public is substantially interested and ownership is divorced from control. All your Directors are full-time executives who have had many years of service with the Company or its Associates, none of them has any proprietary interest in the Company.

The Board, composed of Professional Managers, functioning as a team is collectively responsible for periodically and regularly :

1. Studying the environment in all its aspects.

2. Analysing the Company's strengths, weaknesses, opportunities and threats.

3. Arriving at assumptions that are necessary in terms of those influences that will affect the future of the Company.

4. Defining what the business of the Company is and should be, and what the purpose of the business are.

5. Framing policies within which Management will function and which will also aid the objectives of the country in which the Company operates.

6. Identifying the really important business areas and then setting Company objectives.

7. Ensuring a Company Plan (short and long term) to achieve the objectives set in a planned fashion.

8. Reviewing the performance of the planned operations against the predetermined results to be achieved and controlling and taking corrective action as necessary.

In addition to this collective responsibility, the Board of Directors, as Professional Managers, and recognising the increasing complexity of operations, assign specific responsibilities among its members; consequently proper time and attention is given to the various aspects of the Company's business for which the individual Directors, all of whom are full-time executives, are accountable to the Board as a whole.

Your Company is constantly evolving in a changing world. Such change has to be properly managed. It had become clear that among the important matters requiring particular attention of Management are corporate planning, organisational and management development, technical training, research and very specifically, exports. Active steps have been and are being taken on these matters. These activities provide the background explaining the changes that were made in your Board of Directors.

Professional Management—Purposes—Objectives—Responsibilities of Enterprise

I would now like to turn to how professional management views Company's purposes, objectives and responsibilities. Your Board, as mentioned earlier, is composed of Professional Managers none of whom has any proprietory interest in the Company. I must, therefore, in the first instance, disabuse you of any idea that the profit-motive is the only central inspiration of your Board of Directors. We are concerned with profits (in the short and the long term) as the true measure of our performance—that we have maintained the organisation in sound financial condition and have obtained for the shareholders a proper return on their investment representing a fair reward for the contribution made. But we are also concerned with the well being of the organisation in its totality as "Industry is an organ of society specifically charged with the responsibility of organised economic advance through making resources productive. It expresses the basic belief of modern society that economic progress can be made into a powerful driving force for human betterment and social justice".

As Professional Managers of your Company we thus see the purposes and responsibilities of the Company covering a wide spectrum which in themselves also serve the interests of the investing public.

1. We are concerned with the satisfaction of our immediate customers—that we have provided the trade with every assistance, good service and profits thus encoraging the development of smaller businesses and independent entrepreneurs who need to receive returns in keeping with their contribution.

2. We are concerned with our ultimate customers—the millions of consumers—who are paramount, who are the final judges of the quality of the Company's products who must be given what they want, must be continually satisfied and must be provided the very best value for their money.

3. We are concerned with the well being of our employees—the most important asset of the Company—that we have provided them with good working conditions, a fair reward for a job well done and the environment to do it in, as well the opportunities for advancement.

4. We are concerned with our competitors who we wish well—that each member of the industry functions in a spirit of healthy competition for the good of the consumer; each relying on the quality and consumer preference of its products and the productive utilisation of its resources.

5. We are concerned with our relations with the hundreds and thousands of the Company's suppliers—that we have dealt fairly with them and they with us in a spirit of mutual confidence based on mutual assistance.

6. We are deeply concerned about our shareholders, with the dividends and share prices—that we shall be able to maintain the momentum of corporate progress by obtaining our future commercial requirements from the general public who represent the capital market.

7. We are concerned with the public good—that we have and are contributing to the economy and the aspirations of the Government, and that we have not only at all times fully complied with all the requirements of the law in every phase of our operations but have also been fully conscious of our social responsibilities to the society of which we are a part.

All these concerns give rise to various and often conflicting obligations which are by no means resolved by being subject in many areas to legislation and Government control. Thus in the socio-economic scene, ownership divorced from control, makes for a virtue of professional management, and your Board can, in an objective manner, successfully resolve the conflicting claims on the Company. Your Board accept the responsibility of working in the overall interest for the well being of the Company and believe that, in doing so, it can and does establish an identity between national aspirations and its own objectives.

Professional Management—Attitudes and Beliefs—Productive Resource Utilisation

I now come to the attitudes and beliefs of professional management relating to the productive utilisation of our Company's resources. Professional Managers are result rather than resource orientated and use various resources for the specific purpose of achieving certain results but have discretion in the manner in which these are handled and used. Consequently the Professional Manager has developed a scientific approach for the fair and productive use of resources. Broadly speaking these can be divided between human and physical and of these the former are by far the most important.

In so far as people are concerned, the social sciences have advanced rapidly in the postwar period and much has been revealed to men of industry. In simple terms the fundamental belief of professional management is that human beings want to work, seek responsibility, expect to know what they are responsible for and what is expected of them; and, having participated in establishing the results they should achieve, like to be treated as mature, trustworthy people capable of directing and controlling themselves and then agree willingly to be held accountable for their performance, to be measured and assessed objectively.

Your Company's management also believe that, while satisfaction with working conditions and remuneration is important, the motivated and creative input of people is brought about largely by providing satisfaction in the job, a challenge to their ability and opportunity for achievement followed by fair recognition as a reward. That job satisfaction is aided by individuals seeing their part in the whole and identifying their own objectives and growth with those of the Company and its progress. Furthermore, that in recognition of the complexity of activities and through their inter-action, people have to work together, as the performance of the team is greater than the sum total performance of its individual parts.

These then are the simple beliefs surrounding the professional management of your Company—beliefs they are continually attempting to practise. These beliefs may not always be easy to implement but are certainly worthy of emulation.

Turning now to the physical resources, the concern of your Company's managers is to avoid waste and to achieve the maximum productivity consistent with quality and consumer satisfaction in the utilisation of every single resource. To be truly professional in their approach they encourage and use the many tools of management, techniques and procedures that have become available, and are being constantly evolved, derived from the various disciplines of knowledge.

These various management systems, services and tools can be assessed for their usefulness to the Company, can and are being taught, and can be used by those trained in these disciplines. These aids enable proper identification of the problem, reduce the area of the unknown, analyse alternative courses of action and resource utilisation, measure and compare probable results and, therefore, make possible better decisions for more productive utilisation of resources, and such decisions are that much more professional because of their objectivity and scientific orientation.

It is not my intention to go into the details of these techniques. However, I do wish to emphasise that these are teachable systems that are used by the Professional Managers of today. Your Company has trained personnel who are applying many of these disciplines and there are yet others which are being regularly evolved and will receive your Company's attention.

Professional Management and the Professional Manager—Development and Application of Expertise.

I would now like to conclude my comments on the subject of professional management with a few remarks on the development and application of expertise. The term Professional Manager is appropriate in the sense that management is a science, and, the manager can use the knowledge of this science to define and achieve economic results whereby your Company is made effective. The work of a manager includes economic, social and other tasks which are knowledge based; they can be systematically analysed, taught, learnt and developed.

Your Company can only be successful if it is well managed. It is important, therefore, that management should be properly equipped to discharge their responsibilities with a high degree of excellence, both in terms of having the basic qualifications and knowledge for their job and of keeping up with the latest developments and techniques. In essence, this is the area of professional management which is concerned with Organisational and Management Development. It covers recruitment/selection, induction, training, development and continuous assessment of Managers towards increasing their effectiveness in terms of performance and results.

A system of management man-power forecasting is used by your Company so that under a planned and orderly recruitment programme suitably qualified applicants are available to go through a proper selection procedure to fill vacancies in accordance with the needs of the organisation. Arrangements have been made with various Institutes of Management and Technology for campus interviews of possible applicants. Contact has also been established with Placement Officers in various technical colleges in the United Kindgom which now award University degrees as also those at Oxford, Cambridge and London Universities and the London School of Economics. In the U.S.A. similar arrangements are being made with MIT and the Harvard School of Business Administration. Thus, the recruitment net is spread as wide as possible and covers not only those in this country but also our Indian students abroad. At the same time internal procedures ensure that suitable candidates from within the ranks of the Company are assessed and given the opportunity to aspire and rise to positions of managerial responsibility.

The selection procedures are rigorous and sophisticated and are being constantly improved upon. Selection is done against a definition of the job and the results to be achieved by the Manager with an outline of how it is to be performed and the levels of knowledge, skills and qualifications that will be required. Applicants are first screened by operating units, after which they pass through painstaking individual and group tests, as well as systematic interviews by Selection Boards which consist of senior Managers of the Company. Finally, the Line and Personnel Directors interview the best candidates. The aim is that selection procedures are objective, systematic and bias free. After selection, the new entrants go through a process of induction and start on a systematic training programme which normally lasts two years before they become members of Management and start making a positive contribution.

In broad terms the career of the Professional Manager in your Company starts with being a specialist, goes on to being what might be termed an industry professional and finally developing into a General Manager. At each level and throughout these processes of

development, not only is training imparted on the job but also formal training is imparted in courses, seminars and project exercises making use of facilities inside the organisation such as the Company's residential training centre in Calcutta as well as the many facilities available in Management Institutes, both in the country and abroad. Throughout this period there is a system for regular assessment based largely on performance in which training needs are regularly established and from which Managers are selected, strictly on merit, for further development and promotion to positions of higher responsibility.

Management training and development has long been recognised as a vital necessity in the operations of your Company and is the key in the furtherance of professional management. Currently a system known as Management by Objectives is being fully examined in its totality with a view to promoting even greater self-development of Managers which it is hoped will prove all the more effective through being integrated with the total concept of corporate planning.

I have emphasied the importance of training and development as a means of acquiring and imparting expertise to management. I would like to mention the importance which your Board attach to the training of the unionised cadres. For sometime now training programmes in this area have been carried out in all the Company's branches with two objectives—firstly to increase the efficiency of operations and secondly to improve the supervisory and leadership skills of the higher echelons in these cadres resulting ultimately in their own betterment.

This year a Technical Training Centre has been established in Bangalore with the intention of intensifying the technical content of training and concentrating on the training of trainers and imparting skills to key factory floor personnel. All these measures are designed to improve productivity which can result in greater benefits to the workers. But productivity, does not only depend on proper output by workers or for that matter an efficient utilisation of machines or use of good materials; it depends upon a complex of factors at the back of which is professional management.

Conclusion

Finally, as to the future of your Company, I would like to conclude with the same remark I used last year. It is my earnest hope that in facing up to the new diverse challenges, your Company will play its due role and discharge its social responsibilities with vision and dignity in keeping with its philosophy of commitment to India's welfare and to her all-round development. Since the future prosperity of your Company will follow the prosperity of India, your Board look forward to the future with confidence and optimism.

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

THE ORIENTAL FIRE AND GENERAL INSURANCE COMPANY LIMITED

Speech on the Report and Accounts, 1969 by Shri T.A. Pai

Gentlemen,

I have great pleasure in welcoming you all to the Twentysecond Annual General Meeting of the Company. The report, Accounts and Balance Sheet for the year ended 31st December, 1969 are already in your hands and with your permission I propose to take them as read.

(2) I mention with regret the passing away of Shri G. Venugopal on 9th December, 1969. The late Shri G. Venugopal was associated with the Company since 1951 in various capacities and lastly as its General Manager from September, 1965. During the course of his association with the company he rendered invaluable service to the company.

(3) Coming to the results of the year's working, the net premium of the Company has gone up by Rs. 127.12 lacs from Rs. 1034.50 lacs in 1968 to Rs. 1161.62 lacs in 1969. As a result, departmental reserves have gone up by Rs. 74.04 lacs from Rs. 604.80 lacs in 1968 to Rs. 678.84 laes in 1969. After making provision for taxation to the extent of Rs. 45 lacs and after taking into account the balance of Rs. 7,209 from the last year's account and also the release of provision of income-tax to the extent of Rs. 19,90,919 in respect of earlier years, there is a surplus of Rs. 91.49 lacs out of which Rs. 63.99 lacs have been transferred to General Reserve, Rs. 22.00 lacs to Dividend Reserve and Rs. 5.50 lacs to Dividend Equalisation Reserve.

(4) The overall ratio of net claims to net premiums has shown slight increase from 56.39% in 1968 to 58.67% in 1969. It is mainly due to adverse experience in Miscellaneous Department. The overall ratio of expenses of management and commission to net premium is 33.40% in 1969 as against 37.87% in 1968.

(5) Our investments as at 31st December, 1969 aggregated to Rs. 1035.24 lacs as against Rs. 853.07 lacs on 31st December, 1968.

(6) Your Directors have recommended dividend at the rate of 20% (Subject to deduction of tax at the prescribed rates).

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

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

RECORDS AND STATISTICS

Ceilings on Perquisites

THE DEPARTMENT of Company Affairs has recently issued revised guidelines regarding administrative ceilings on the perquisites and benefits allowable to managing directors, whole-time directors, part-time directors and managers in public limited companies. The guidelines in this regard had been set out by the Minister of State for Industrial Development, Internal Trade and Company Affairs, Mr Raghunatha Reddy, in a statement in the Rajya Sabha on November 18, 1969. The new guidelines relate to a company's contributions towards provident fund, pension (or superannuation) fund, gratuity, medical benefits, etc.

The text of the guidelines follows:—

In the matter of approved perquisites and benefits to the above category of persons, the Company Law Board will ordinarily follow the following standards for determining the administrative ceilings and the following will be excluded from the ceiling on the monetary value of the perquisites to the extent specified below seriatim:—

(i) *Company's contribution towards Provident Fund*: So long as it does not exceed 10 per cent of the salary as laid down under the Income-Tax Rules, 1962.

(ii) *Company's contribution towards Pension/superannuation Fund*: So long as such contribution together with the contribution to provident fund do not exceed 25 per cent of a person's salary, as laid down in the Income Tax Rules, 1962.

(iii) *Gratuity*: Payable in accordance with an approved fund and which does not exceed one-half month's salary for each completed year of service, subject to a maximum of Rs 24,000 or 15 months' salary, whichever is less, i.e. as provided in section 10 (10) of the Income Tax Act, 1961.

(iv) *Medical benefits for self and family*: Reimbursement of expenses actually incurred, the total cost of which to the company shall not exceed one month's salary in a year, subject to a maximum of Rs 5,000 per annum or three months' salary with a maximum of Rs 15,000 for a period of every three years of service.

(v) *Passage benefits*: Passage benefits allowed to expatriate directors for self and family at reasonable intervals, but not more frequently than once a year by economy class or once in two years by first class.

(vi) *Leave Travel Concession*: Actual fares, but not hotel expenses, etc allowed to Indian managing whole-time directors /managers for self, wife and minor children once a year to and from any place in India.

(vii) *Leave*: On full pay and allowances at the rate as allowable to other employees of the company, in terms of company's leave rules, but not exceeding one month's leave for every 11 month's service. In case of expatriate directors, however, the limit of one month can be relaxed upto 1 1/2 or 2 months, having regard to the leave rules of the company. Leave accumulated but not availed of will not, however, be allowed to be encashed.

(viii) *Any excess expenditure on the above perquisites beyond the limits specified above as well as all remaining perquisites will be subject to an overall ceiling of 1/3rd of the salary/emoluments subject to a maximum of Rs 30,000 per annum in the aggregate.* These perquisites may *inter alia* include:—

(a) Furnished/unfurnished residential accommodation. The monetary value of the perquisite will be evaluated as per Rule 3 (a) of the Income-Tax Rules, 1962. Encashment of this perquisite will not be allowed.

(b) *Free use of car*: The monetary value of the perquisite will be evaluated as per Rule 3 (a) of the Income-Tax Rules, 1962.

(c) *Personal Accident Insurance*: Of an amount the annual premium of which does not exceed Rs 1,000.

(d) Free telephone facility at residence, etc.

2. Reimbrusement of all entertainment and other expenses actually and properly incurred for the business of the company will not be treated as an item of remuneration, for the purposes of section 198 of the Act. It is, however, expected that having regard to its size, nature of business, etc., the companies will fix some upper ceiling within which such expenses will be incurred.

3. The working directors of the company are expected to attend meetings of the board of directors and of committees thereof as a part of their normal duties for which they are being paid on a regular basis. As such, while approving the appointment/re-appointment, etc. of such working directors, the Company Law Board will not ordinarily allow payment of sitting fee to them.

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March 1962=100) advanced by 1.6 per cent to 178.7 during May 1970, when compared to 175.9 for the previous month. At this level the index was higher by 7.3 per cent when compared to that of May 1969. During the month under review 'food articles' advanced by 1.8 per cent to 202.9 'industrial raw materials' by 4.1 per cent to 195.2, 'machinery & transport equipment' by 0.2 per cent to 142.9 , and 'manufacfactures' by 0.9 per cent to 150.4, while the index for 'liquor and tobacco' declined by 0.2 per cent to 186.6 and 'chemicals' by 4.4 per cent to 184.5. The index for 'fuel, power, light and lubricants': group remained unchanged at its previous month's level of 160.2.

Food Articles

The index for 'cereals' sub-group advanced by 0.4 per cent to 203.6 due to an increase in the prices of rice, bajra and maize. The prices of wheat, jowar and ragi, however, moved down. Higher prices of all pulses (except gram which moved down) pushed up the index for 'pulses' sub-group by 0.6 per cent to 236.2. The index for 'food-grains' rose by 0.5 per cent to 209.5. At this level the index for 'food grains' was higher by 6.7 per cent when compared to that of a year ago. The index for 'fruits and vegetables' rose sharply by 13.3 per cent to 229.6 due to higher prices of all the items under this sub-group except onions which fell. The prices of both milk and ghee moved up, consequently the index for 'milk and milk products' registered a rise of 4.4 per cent to 218.0. Owing to an increase in the prices of all the edible oils (except vanaspati, which stood stationary) the index for 'edible oils' sub-group went up by 3.9 per cent to 230.6. Lower prices of fish and meat brought down the index for 'fish, eggs and meat' by 2.5 per cent to 193.8. The prices of eggs, however, advanced. The sub-group index for 'sugar and allied products' recorded a rise of 0.7 per cent to 153.8 on account of higher prices of sugar and khandsari. The prices of gur, however, declined. Among 'other food articles' the prices of black pepper, chillies, turmeric, cardamoms and

betelnuts declined while those of cummin, coffee and salt moved up; consequently the index for this sub-group receded by 3.6 per cent to 188.1 during May 1970.

Liquor & Tobacco

The index for this group stood at 186.6 in May 1970 as against 187.0 for April 1970. The prices of tobacco raw showed a nominal fall.

Fuel, power, light and lubricants

The index for the 'fuel, power, light lubricants' group remained unchanged at its previous month's level of 160.2.

Industrial raw materials

Higher prices of all the fibres (except hemp raw, which moved down), pushed up the sub-group index for 'fibres' by 3.5 per cent to 169.7. The sub-group index for 'oilseeds' rose by 6.4 per cent to 232.7 due to an increase in the prices of all the oilseeds (except cottonseed which fell). The index for 'minerals' sub-group remained unchanged at its previous month's level of 141.0. A fall in the prices of hides raw, skins raw and rubber brought down the sub-group index for 'other industrial raw materials' by 0.7 per cent to 164.6. The prices of tanning materials and lac, however, went up.

Chemicals

The index for this group declined by 4.4 per cent to 184.5 due to reduction in the prices of sodium hydrosulphite. The prices of soda ash and copper sulphate, however, moved up.

Machinery and Transport Equipment

The index for 'machinery and transport equipment' advanced by 0.2 per cent to 142.9 due to a rise in the prices of vehicles (motor cycle).

Intermediate Products

A rise in the prices of rayon yarn, zinc, lead and linseed oil was almost neutralised by a fall in the prices of copper and tin and the index for this group worked out to 174.4 as against 174.3 for the earlier month.

Finished Products

The index for 'textiles' advanced by 1.8 per cent to 143.4 on account of higher prices of jute manufactures (+5.6 per cent to 160.9), cotton manufactures (+0.7 per cent to 139.2) and silk and rayon manufactures (+0.9 per cent to 117.6). Under cotton manufactures, the prices of both cotton cloth (mills) and handloom cloth rose. The indices of woollen manufactures and coir mats and mattings remained stationary at their previous month's levels of 180.7 and 165.8 respectively. The sub-group index for 'metal products' moved up by 0.9 per cent to 159.4 due to an increase in the prices of iron and steel manufactures. Higher prices of bricks and tiles and glass manufactures pushed up the index for 'non-metallic products' sub-group by 1.3 per cent to 138.5. The 'chemical products' sub-group rose by 0.9 per cent to 141.4 on account of increased prices of paints and varnishes and insecticides. The prices of dyeing materials, however, moved down. The index for 'oilcakes' sub-group registered a rise of 1.1 per cent to 205.7. The sub-group indices for 'leather products' 'rubber products', 'paper products' and 'misc: products' remained unchanged at their previous month's level of 92.1, 157.5, 121.3 and 119.7 respectively. On the whole the index for 'finished products' advanced by 1.1 per cent to 144.5 during May 1970.

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

(Base : 1961-62=100)

Group and Sub-group	Monthly Average			%Increase (+) or Decrease (—) in May 1970 as compared to	
	May 1970	April 1970	May 1969	April 1970	May 1969
Food Articles	202.9	199.4	189.3	+1.8	+7.2
Foodgrains	209.5	208.5	196.4	+0.5	+6.7
Cereals	203.6	202.7	192.8	+0.4	+6.0
Pulses	236.2	234.9	216.1	+0.6	+9.3
Fruits and vegetables	229.6	202.6	191.2	+13.3	+20.1
Milk and milk products	218.0	208.9	203.3	+4.4	+7.2
Edible oils	230.6	222.0	188.6	+3.9	+22.3
Fish, eggs and meat	193.8	198.8	194.3	+2.5	—0.3
Sugar and allied products	153.8	152.8	179.9	+0.7	—14.5
Others	188.1	195.1	155.9	—3.6	+20.7
Liquor & tobacco	186.6	187.0	201.3	—0.2	—7.3
Fuel, power, light and lubricants	160.2	160.2	153.1	—	+4.6
Industrial raw materials	195.2	187.4	172.5	+4.2	+13.2
Fibres	169.7	163.9	157.6	+3.5	+7.7
Oilseeds	232.7	218.8	190.9	+6.4	+21.9
Minerals	141.0	141.0	128.0	—	+10.2
Others	164.6	165.7	164.3	—0.7	+0.2
Chemicals	184.5	193.0	178.0	—4.4	+3.7
Machinery and Transport equipment	142.9	142.6	133.8	+0.2	+6.8
Electrical machinery	140.4	140.0	133.6	+0.3	+5.1
Non-electrical machinery	148.0	147.9	134.9	+0.1	+9.7
Transport equipment	136.1	135.4	131.9	+0.5	+3.2
Manufactures	150.4	149.0	140.4	+0.9	+7.1
Intermediate products	174.4	174.3	153.8	+0.1	+13.4
Finished products	144.5	142.9	137.2	+1.1	+5.3
Textiles	143.4	140.8	135.7	+1.8	+5.7
Cotton manufactures	139.2	138.2	131.1	+0.7	+6.2
Jute manufactures	160.9	152.3	152.6	+5.6	+5.4
Silk and rayon manufactures	117.6	116.5	117.5	+0.9	+0.1
Woollen manufactures	180.7	180.7	168.9	—	+7.0
Coir mats and mattings	165.8	165.8	159.8	—	+3.8
Metal products	159.4	158.0	149.2	+0.9	+6.8
Non-metallic products	138.5	136.7	132.8	+1.3	+4.3
Chemical products	141.4	141.3	135.8	+0.1	+4.1
Leather products (shoes)	92.1	92.1	93.9	—	—1.9
Rubber products	157.5	157.5	156.5	—	+0.6
Paper products	121.3	121.3	119.2	—	+1.8
Oilcakes	205.7	203.5	176.0	+1.1	+16.9
Misc. products	119.7	119.7	119.8	—	+0.1
All commodities	178.7	175.9	166.5	+1.6	+7.3

Source : Economic Adviser to the Govt. of India.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base : 1960=100)

	1968	1969			1970	
		Oct.	Nov.	Dec.	Jan.	Feb.
General Index						
Seasonally adjusted	161.1	179.1	172.8	177.6	182.5	177.8
Crude	161.1	172.4	172.4	187.6	186.8	174.7
Mining and quarrying	144.2	145.1	145.5	157.9	161.3	154.4
Manufacturing	156.3	166.5	165.6	182.0	180.4	168.5
Food manufacturing industries	108.4	133.6	134.9	158.1	163.4	154.8
Sugar (refined)	84.5	20.1	124.1	294.3	337.7	314.3
Vanaspati	140.4	124.6	149.2	177.9	141.4	157.8
Tea	104.9	188.3	124.7	46.9	26.1	22.9
Coffee curing	114.4	25.1	50.8	35.2	169.6	221.2
Cigarette manufacturing	163.3	153.6	158.8	168.5	182.5	157.5
Manufacture of textiles	112.5	113.9	104.1	118.0	116.4	107.9
Cotton textiles	111.7	118.2	104.7	118.6	118.5	109.4
Cotton spinning	124.1	147.7	119.5	135.8	134.1	124.5
Weaving of cotton textiles	96.2	81.2	86.1	97.1	98.9	90.5
Woollen textiles	144.2	162.1	156.4	165.1	146.2	146.2
Jute textiles	96.4	81.0	88.3	96.0	95.0	85.6
Paper and paper products	185.0	197.5	209.2	210.6	219.5	212.3
Manufacture of paper	186.8	196.1	208.3	207.4	219.2	211.9
Manufacture of paper board	187.2	216.9	226.6	242.0	235.8	227.3
Rubber products	202.1	177.2	211.4	220.5	206.3	197.8
Tyres and tubes	227.6	199.5	250.4	257.8	241.9	242.7
Chemicals and chemical products	197.4	229.1	228.8	241.6	261.2	239.0
Basic industrial chemicals (including fertilisers)	265.8	313.2	325.0	353.2	334.4	337.6
Heavy organic chemicals	241.8	276.3	323.5	280.5	305.5	334.3
Heavy inorganic chemicals	270.2	315.1	326.6	354.0	360.3	315.7
Synthetic resins and plastics	169.9	159.7	177.8	188.9	132.9	123.0
Synthetic fibres	230.4	238.4	250.2	262.8	258.5	228.4
Dyestuffs and dyes	181.1	206.2	165.9	221.2	193.1	192.3
Fertilisers	448.9	596.7	670.0	706.1	636.4	763.0
Paints, varnishes and lacquers	117.1	112.8	111.1	110.5	110.5	109.1
Fine pharmaceutical chemicals	154.4	156.8	156.5	156.8	156.8	156.5
Petroleum refinery products	260.1	263.2	266.2	307.7	300.9	291.6
Non-metallic mineral products	154.8	187.0	187.6	200.4	183.8	180.5
Cement	152.3	187.1	186.4	196.3	173.4	166.3
Basic metal industries	193.7	211.8	207.7	223.4	214.0	204.7
Iron and steel basic industries	185.4	204.6	197.9	209.1	197.2	192.0
Non-ferrous basic metal industries	238.5	251.1	260.8	301.2	305.2	273.6
Aluminium manufacturing	400.5	414.0	435.4	509.7	516.5	451.0
Metal products	181.2	200.9	209.1	222.5	230.1	193.6
Machinery (except electrical)	327.6	323.5	340.9	387.0	342.9	294.7
Industrial machinery	149.6	125.9	106.3	118.8	127.9	108.5
Electrical machinery	277.5	328.4	322.5	391.2	351.9	343.8
Communication equipment	510.1	678.9	642.2	832.8	615.0	602.2
Motor vehicles	149.5	121.2	116.9	126.8	162.2	161.5
Motor cycle and scooters	395.8	247.3	525.4	531.3	667.8	622.4
Bicycles and tricycles	182.7	187.7	179.5	207.6	185.0	208.4
Electricity	266.6	316.5	310.5	329.6	325.1	309.6

Source : Central Statistical Organisation

RESERVE BANK OF INDIA

(Rs lakhs)

Friday	1969	1970				
	July 25	June 26	July 3	July 10	July 17	July 24
Issue Department						
Notes held in banking department	23,59	45,75	30,57	19,90	23,18	19,94
Notes in circulation	3,553,16	4,020,18	4,048,45	4,059,19	4,008,37	3,934,99
Total notes issued	3,576,75	4,065,94	4,079,01	4,079,09	4,031,55	3,954,93
Gold coin and bullion	182,53	182,53	182,53	182,53	182,53	182,53
Foreign securities	200,89	401,42	386,42	386,42	386,42	386,42
Rupee coin	70,57	54,45	52,52	52,59	55,05	58,43
Government of India rupee securities	3,122,76	3,427,54	3,457,55	3,457,55	3,407,55	3,327,55
Banking Department						
Deposits of central government	51,98	108,67	65,55	57,87	60,57	61,53
Deposits of state governments	13,36	6,37	7,90	6,29	8,11	10,95
Deposits of scheduled commercial banks	176,44	183,10	180,89	179,39	184,80	193,08
Deposits of scheduled state co-operative banks	9,54	10,75	8,99	8,43	8,62	9,00
Deposits of non-scheduled state co-operative banks	59	71	79	77	72	77
Deposits of other banks	22	26	25	23	20	19
Other deposits	295,57	94,70	165,25	160,99	235,51	160,82
Other liabilities*	486,00	634,21	527,58	513,63	522,00	520,29
Total liabilities or assets	1,033,70	1,039,12	957,20	927,59	1,020,53	956,62
Notes and coins	23,66	45,83	30,64	19,98	23,26	20,02
Balances held abroad	161,16	105,28	102,00	100,35	103,26	94,69
Loans and advances to:						
(i) Central government	..	..	..	..	..	..
(ii) State governments	57,16	154,85	87,00	99,13	108,80	86,59
Loans and advances to scheduled commercial banks	79,13	291,54	290,58	254,14	286,64	227,81
Loans and advances to state co-operative banks	222,16	238,79	243,39	234,66	237,23	243,78
Other loans and advances†	8,28	13,96	28,74	28,33	28,14	28,16
Bills purchased and discounted	141,95	10,23	10,14	8,17	14,89	13,76
Investments	301,27	122,00	102,09	125,95	170,64	200,05
Other assets	38,94	56,64	62,61	56,87	47,68	41,76

Note:—The gold reserves of Issue Department are valued at Rs 53.58 per 10 grams upto January 31, 1969 and at Rs 84.39 per 10 grams there after.

*Including (i) paid-up capital of Rs 5 crores, (ii) reserve fund of Rs 80 crores upto January 31, 1969 and of Rs 150 crores thereafter, the increase representing mainly the profit on revaluation of the Bank's gold stocks, effected from February 1, 1969, in terms of the amendment to Section 33 (4) of the Reserve Bank of India Act, (iii) National Agricultural Credit (Long-term Operations) Fund of Rs 155 crores from July 4, 1969 and Rs 172 crores from July 3, 1970, (iv) National Agricultural Credit (Stabilisation) Fund of Rs 35 crores from July 4, 1969 and Rs 37 crores from July 3, 1970 and (v) National Industrial Credit (Long-term Operations) Fund of Rs 75 crores from July 4, 1969 and Rs 95 crores from July 3, 1970. † Includes loans and advances to Industrial Development Bank of India from the National Industrial Credit (Long-term Operations) Fund.

SCHEDULED COMMERCIAL BANKS

(Rs lakhs)

Friday	1969	1970				
	July 25	June 26	July 3	July 10	July 17	July 24
1. Demand Liabilities *						
(a) Demand deposits						
(i) From banks	[illegible]	130,81	133,9[illegible]	131,64	127,74	128,45
(ii) From others	2,08[illegible]	2,307,25	2,318,[illegible]	2,335,27	2,359,80	2,383,31
(b) Borrowings from banks	38[illegible]	22,63	[illegible]	28,51	32,03	37,22
(c) Others	126,65	133,89	[illegible]	140,92	140,77	144,79
2. Time Liabilities *						
(a) Time deposits						
(i) From banks	73,24	41,40	41,46	48,40	46,09	50,88
(ii) From others.	2,595,07	2,932,50	2,946,33	2,961,87	2,964,42	2,977,47
(b) Borrowings from banks	11,10	5,83	6,70	6,65	6,10	5,47
(c) Others	24,19	29,87	30,19	30,57	29,89	28,72
3. Aggregate deposits (1) (a) (ii)+(2)(a)(ii)	4,683,83	5,239,75	5,264,71	5,297,14	5,324,22	5,360,78
4. Borrowings from Reserve Bank	79,13	289,06	283,96	253,33	272,02	287,55
(a) Against usance bills and/or promissory notes	275,00	131,77	15,34	145,28	155,75	112,42
(b) Others	52,13	157,29	126,62	108,05	116,27	175,13
5. Borrowings from State Bank and/or a notified Bank** and the state governments †	57,14	61,08	56,53	59,15	57,82	54,21
6. Cash	124,10	164,36	168,76	154,08	152,19	152,39
7. Balances with Reserve Bank	170,59	176,35	194,18	182,47	188,22	178,96
8. Cash and balances with Reserve Bank	294,68	340,71	362,94	336,55	340,41	331,35
9. 8 as % of 3	6,29	6.50	6,89	6.35	6.39	6,18
10. Balances with other banks in current account	46,47	61,35	60,58	58,90	59,49	55,21
11. Money at call and short notice	93,32	49,34	47,21	55,30	57,36	67,11
12. Investments in government securities	1,195,40	1,187,59	1,18,60	1,190,26	1,202,24	1,226,56
13. 12 as % of 3	25.52	22.67	22.58	2.247	22.58	22.88
14. Advances						
(a) Loans, cash credits and overdrafts	2,863,70	3,472,09	3,480,88	3,487,99	3,460,39	3,466,09
(b) Due from banks	34,72	50,86	49,52	43,35	46,36	48,24
15. Inland bills purchased and discounted	481,33	582,66	574,80	614,06	601,40	570,12
16. Foreign bills purchased and discounted	171,10	172,89	173,09	171,73	170,61	166,62
17. Total bank credit [(14) (a) +15+16]	3,516,13	4,227,64	4,228,77	4,273,78	4,232,40	4,202,83
18. 17 as % of 3	75.07	80.68	80.32	80.68	79.49	78.49

Note:—The date on Scheduled State Co-operative Banks are included from August 12, 1966. * Data do not include borrowings of any scheduled State Co-operative Bank from state government and any reserve fund deposit required to be maintained with such bank by any co-operative society within the area of operation of such bank. **Includes borrowings from the Industrial Development Bank of India from January 2, 1965 and borrowings from the Agricultural Refinance Corporation from April 1, 1966. † Borrowings from state governments relate to scheduled state co-operative banks only.

Source: Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1960-61*	1965-66	1966-67	1967-68	1968-69	1969-70	1969			1970				
							Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May
						(1949=100)								
All-India†	124	169	191	213	212	215	208	215	215	215	215	218	220	—
						(1960=100)								
All-India	—	—	—	—	174**	177	171	177	177	177	177	179	181	—
Ahmedabad	102	130	148	168	165	169	164	167	167	170	170	171	174	—
Alwaye	102	145	158	183	198	197	193	193	191	187	192	193	196	—
Asansol	97	140	145	168	176	178	173	180	178	177	176	180	183	—
Bangalore	101	144	159	172	180	183	180	182	181	182	180	181	180	—
Bhavnagar	101	132	152	173	176	178	172	178	178	182	183	184	185	—
Bombay‡	100	130	147	162	167	175	171	174	174	175	175	176	179	180
Calcutta	97	131	148	163	170	172	168	178	175	170	170	172	173	—
Delhi	101	136	152	172	178	185	178	185	186	186	187	190	190	191
Digboi	103	138	160	198	185	180	177	180	180	181	180	180	181	—
Gwalior	103	139	160	191	179	184	173	182	184	186	188	189	188	—
Howrah	98	137	154	178	181	176	174	179	179	175	173	177	178	—
Hyderabad	102	140	158	167	173	185	180	184	182	185	182	184	183	—
Jamshedpur	98	136	158	183	171	170	165	173	168	167	169	173	176	—
Monghyr	103	151	187	215	185	188	171	188	188	188	194	201	206	—
Mundakayam	101	138	152	173	186	191	182	189	188	191	191	190	193	—
Nagpur‡	96	138	148	164	165	176	169	175	179	181	180	181	181	184
Saharanpur	101	141	163	188	176	181	178	179	181	180	182	187	185	—
Sholapur‡	99	128	150	165	167	176	171	178	179	181	180	180	180	182

*Relates to the period January to March 1961 except for all-India (1949=100).

†Relates to interim series for working class discontinued from August 1968. The figures from August 1968 are, however, estimated on the basis that 100 of the series with base 1960=100 equals to 121.54 of the interim series.

‡For the period from January 1961 to September 1965 the indices in the old series have been shifted arithemetically to 1960 base by using appropriate conversion factors taking into account the corrections carried out by the Maharashtra Government in the light of the recommendations of the Expert Committee. The figures for 1965-66 are averages worked out from estimated figures for April to September 1965 and figures on original base for October 1965 to March 1966.

**Average of 8 months from August 1968.

Source : Labour Bureau, Government of India.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(1960=100)

Centre	1960-61*	1965-66	1966-67	1967-68	1968-69	1969-70	1969				1970		
							Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
All-India	100	132	146	159	161	167	161	168	167	168	168	168	170
Bombay	99	132	142	153	156	162	155	165	162	162	160	162	164
Delhi-New Delhi	100	131	142	154	162	168	165	169	168	167	169	168	172
Calcutta	98	126	139	152	156	162	154	165	165	165	162	162	164
Madras	103	133	147	154	154	161	154	160	161	162	165	166	164
Hyderabad—Secunderabad	101	133	147	155	159	167	162	167	168	168	169	168	168
Bangalore	102	133	145	156	160	164	160	165	164	164	165	165	166
Lucknow	100	132	146	159	156	161	157	163	160	160	161	162	165
Ahmedabad	100	131	146	160	162	168	163	169	165	168	168	167	170
Jaipur	101	133	150	162	168	176	168	178	176	176	176	177	178
Patna	99	139	160	179	174	180	176	181	181	180	181	181	186
Srinagar	105	134	143	160	167	174	170	174	174	175	176	176	179
Trivandrum	103	131	146	165	168	172	166	172	172	173	174	173	172
Cuttack—Bhubaneswar	100	142	154	164	167	169	164	170	171	171	168	165	169
Bhopal	102	133	144	166	166	172	166	175	173	171	172	172	173
Chandigarh	101	129	143	155	164	171	169	172	171	171	172	173	174
Shillong	101	123	134	155	163	164	163	162	161	162	161	161	160

*Relates to the period January to March 1961.

Source : Central Statistical Organisation.

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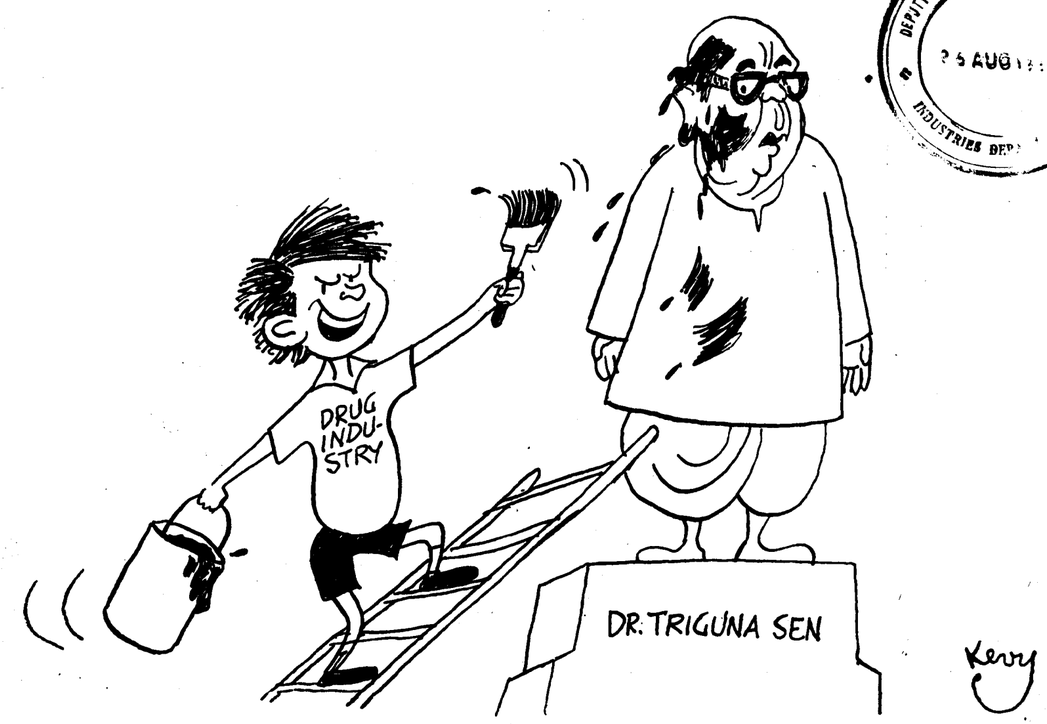

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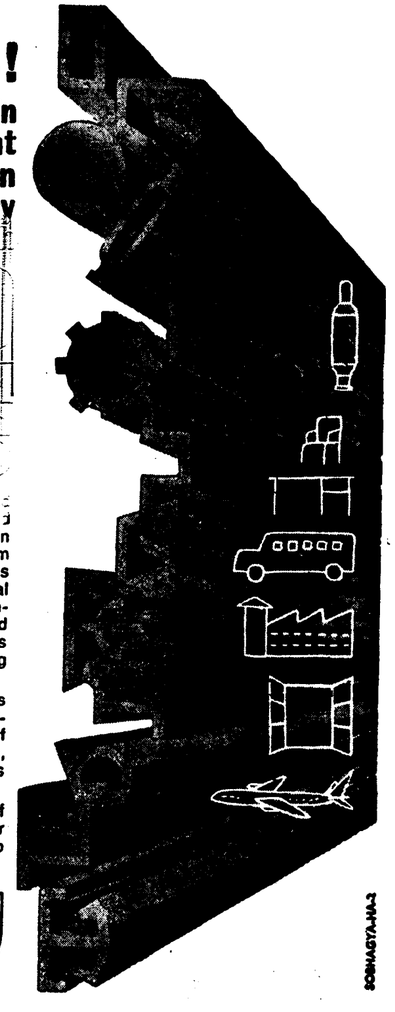

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DRUGGED CONTROL

THE OTHER day, soon after manufacturers had announced revised prices following the government's order seeking to regulate the prices of drugs and pharmaceuticals, I happened to say to a senior official of the Finance Ministry that the industry should be having a quiet laugh at the expense of the Ministry of Petroleum and Chemicals. This remark provoked the rejoinder that this might possibly be so, but still the last laugh might not be with the industry. This argument, I am sure, has also occurred to the officials of the Ministry of Petroleum and Chemicals. I wonder, however, how much consolation or comfort the Minister, Dr Triguna Sen, himself is able to derive from such thoughts.

When Dr Sen disclosed his Ministry's intentions to try to obtain a reduction in the prices of drugs and pharmaceuticals, public opinion and the press generally expressed their sympathy and support for his plans. This clearly showed that, when the government sincerely attempted to regulate industries in a legitimate way for the benefit of the people, it could count on wide and informed support for its actions. If, therefore, the same public opinion and the press have now become critical of the actual consequences of the government's intervention in the pricing policies of the drug industry, it is clearly because the Ministry of Petroleum and Chemicals has bungled its job. Its regulatory moves, instead of bringing relief or benefit to consumers, has resulted in the public having to pay more than it did before for a wide range of essential medicines, many of which are in daily use.

So very obvious have been the adverse consequences of the government's intervention that, within a short period of its original control order, the Ministry of Petroleum and Chemicals has been forced by criticism in Parliament and outside to take further powers to prohibit the increases which have taken place in the prices of some drugs and pharmaceuticals. In order to achieve this purpose, the government has vetoed the higher prices announced by manufacturers as part of their revised price structures. While this is an unavoidable step in the circumstances, it is obvious that there are possibilities of the production of the affected drugs and pharmaceuticals being dislocated, stocks going underground or other malpratices emerging to the detriment of the public. The mess, in other words, looks like getting messier before it is at all cleaned up.

Why has the Ministry of Petroleum and Chemicals so miserably failed in excuting a policy which is legitimate in itself? In my view, the explanation, in the main, seems to be that the ministry erred in attacking frontally the profits of the industry for the purpose of regulating its prices. Because it was obsessed with the notion that the industry was making excessive profits, it abandoned the simple and direct method of negotiating for reasonable reductions in the prices of specified essential drugs or popular medicines in favour of a more dramatic general assault on profit patterns in the industry. A manoeuvre of this kind was bound to fail given the high degree of sophistication of the industry concerned and the limitations of the governmental apparatus.

There have been speculations of all kinds about the ministry's sins of commission and omission. It has been suggested, for instance, that the drug industry has been presuaded to make contributions to the coffers of the ruling party. There have been insinuations about the conduct or even complicity of individual officials of the ministry concerned. I, however, doubt that there had been such sinister goings-on. The allegations in question may be relevant only to the extent that they reflect the prevailing public view of the integrity of political parties or the administration. As I have suggested earlier, the government has brought this embarrassment on itself merely because of its blind prejudice against profits as such. It is true that the regulation of prices and the regulation of profits are inter-related. But this is no justification for an unreasoned attack on profits as such which are not a creature exclusively of prices. Especially in an industry manufacturing a wide range of products, the pricing of individual preparations is determined by a complex series of considerations and it is a fairly well-known trade practice to price some products higher so that other products may be sold at lower prices. It is because the Ministry of Petroleum and Chemicals either ignored or was ignorant of this situation that it created a set of circumstances in which the drug and pharmaceutical industry found it necessary to raise the prices of some products so that it could make up for reductions effected in the prices of other products. This contigency was not difficult to foresee and it could have been avoided if only the Ministry of Petroleum and Chemicals had been content to adopt the relatively

simple approach of negotiating for reduction in the prices of drugs and pharmaceuticals which were either essential or were in common use.

Now that the ministry has had its face blackened publicly by the drug and pharmaceutical industry, it is in its own interest to agree to or even ask for a strict investigation to be conducted into the question of responsibility, starting with the cabinet minister concerned. Dr Sen has been credited with a sense of detachment where his tenure in the cabinet is concerned. He cannot therefore have any personal objection to this course. It may be contended that there is no way of assigning authority, responsibility or accountability in an administrative system in which every one is somewhat responsible for everything and nobody is completely responsible for anything. But it is precisely because such assumptions have worked havoc with concepts of competence and integrity in government that an attempt should be made now and then to examine, however imperfectly, the performance of the machine.

A Political Stunt

WHILE THE controversy between dispassionate critics who fail as yet to see any verifiable evidence that basic social purpose is being advanced by the nationalised banks and the incorrigibly committed champions of bank nationalisation who point to the fact that almost all the 14 nationalised banks have earned higher gross profits during 1969 in spite of increased expenditure on their extensive branch expansion programme as a proof of efficiency, is still to subside, the new union Finance Minister, Mr Y. B. Chavan, has come out with his novel idea of differential rates of interest to individual borrowers which has shocked not only some socialist economists but triggered off yet another controversy.

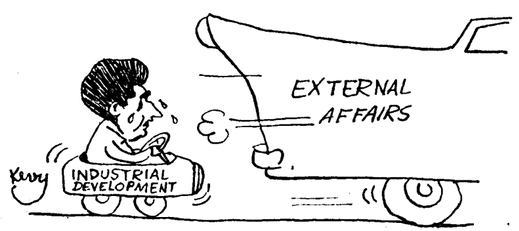
But this is not as surprising as the unquestioned acceptance of the suggestion and the indecent haste with which a committee representing the Banking Department of the union Finance Ministry, the Reserve Bank of India and the nationalised banks has already been set up to work out the details of a scheme for implementing the suggestion. No less surprising are certain comments in the press, which, while describing the principle as 'misconceived" or "ill-conceived" have themselves proceeded to offer alternatives which are equally offensive to sound principles of banking. What these quarters seem to forget is that, while concessional credit facilities for productive purposes is justifiable, cheap credit for purposes of social uplift or relief work is not good banking.

It may be all right for a politician who has only custodians to face cavalierly to ignore the view that all such financing is essentially uneconomic, but a practical banker who has to meet the growing demands of clients whose credit expectations have been unduly roused has perforce to be relatively more circumspect. And the fact that, for the first time since 1962-63, bank credit expansion during the first year of nationalisation has exceeded the increase in deposits cannot but make them circumspect.

The public reactions to the suggestion regarding differential rates of interest on bank lending are as significant as they are interesting. Take, for example, the more or less general reaction that what the situation demands today is not so much cheaper credit as more abundant supply of credit. Practically everyone who advances this view seems to feel convinced that the prevailing rates of interest on bank advances (9 to 10 per cent) even those on advances against certain commodities in short supply such as cotton, oilseeds and vanaspati (12 per cent), are, to use a hackneyed phrase, no more than what the traffic can bear. In this context, the insistence of Mr Chavan on more rapid and larger deposit mobilization is quite pertinent, though not some of the means he suggested. Among others, the union Finance Minister wanted the custodians of the banks to "involve the local revenue and developmental agencies of state governments in the gigantic effort for increasing the deposits". As Prof P. J. Shroff, President of the All-India Bank Depositors' Association, rightly remarked at a press conference in Bombay, "This kind of involvement of the local and developmental agencies will extend the vicious principles of the bureaucratisation of the banks and will open the flood-gates of harassment and persecution for the local inhabitants".

Another reaction has been that the Finance Minister's suggestion is "a cheap political stunt" intended to build the government's image by a "carefully selected" channelling of credit, which is one more insidious form of official patronage. If implemented, it is argued, this will accentuate corruption (its existence has now been openly admitted) in the sphere of banking. Worse still, casting the onus of giving loans at differential rates on bank managements will expose them to coercive tactics by the unscrupulous political and trade union leaders for grant of loans to their proteges.

Serious students of economics, some even of the socialist hue, have questioned the rationale behind the differential interest rates proposal. Their understandable anxiety is the probable effect of such a policy on the pattern of investment already envisaged by our planners. If, as is being contemplated, the affluent sections are to be discouraged to invest—which is what a stiff increase in the rates of interest charged on bank advances to these sections would mean—and they refrain from investing, will not the already drawn-up pattern of investment be distorted ? Even as it is, these sections are not being allowed to feel very enthusiastic about taking on more commitments, thanks to the government's new licensing policy. Granting, for argument's sake, that they are made to invest even after borrowing from the banks at stiffer rates of interest, what will be the effect on prices, consumption and exports ? Arresting the inevitable upward trend in prices, as a cartoon by Laxman put it impliedly, is not quite so simple as arresting people. Consumer resistance has been in evidence sufficiently. And the highly competitive world markets are relentless, even to exports from a socially motivated India.



The union cabinet has sanctioned a small car project in the public sector.

Reference has been made earlier to certain alternative suggestions in the press by those that have criticised Mr Chavan's differential interest rates proposal. *The Hindustan Times*, for instance, speaks of a variant—an escalating rate of interest for different "slabs" of borrowing. "This", it is said, "will provide cheaper credit to smaller borrowers, while larger borrowers will automatically pay higher rates of interest on higher slabs". *Commerce* also has suggested an alternative. An "alternative recourse, which we would strongly suggest", according to this journal, "is to raise the interest rates charged for the more affluent agriculturists and those companies which have the financial capacity to pay charges to their directors for their personal guarantees". With due deference to both these papers, we must point out that the objection to their alternatives is the same as to Mr Chavan's suggestion, namely that they too seek to allocate credit to individuals in terms of the degree of their respective affluence, which is at once unethical and unsound, besides being fraught with grave risks. This is not the same as the system of differential lending rates that we now have. The basis here is not discriminatory as between individuals—and this is very important—but only as between sections and as between purposes which is perfectly rational.

Incentives in West Bengal

WHETHER THE scheme of incentives announced recently by the present regime in West Bengal succeeds in stimulating industrial growth or not, credit should be given to it for taking the initiative in this regard. The United Front government did nothing to encourage industrial development. On the other hand, the adverse impact of its misconceived policies is felt acutely even now and will continue to be felt for a long time. Mr Jyoti Basu, when he was Deputy Chief Minister, lamented that West Bengal was being turned into a desert because of the lack of industrial expansion and the shifting of many business offices to other states. At the entrance to 15, India Exchange Place in Calcutta, which, until last February housed the head offices of Birla Brothers, a petty tea shop is now functioning, which shows how the UF rule succeeded in shaking the confidence even of dynamic and daring entrepreneurs who have contributed substantially to the economic development of West Bengal. It will therefore be no easy task for the Governor's advisers to undo so soon the mischief done by the previous government and create a congenial climate for investment. Nevertheless, the advisers have acted commendably in announcing a series of incentives to encourage the growth especially of small-scale industries.

The incentives offered are the following : Preference of 15 per cent in price will be given in all government purchases from the small industries. Sales tax paid on raw materials purchased or on finished products made by a new unit will be refunded by way of loan, subject to a maximum of 8 per cent of the paid-up equity capital per year for five years. The loan will be interest-free if repayment is made in five annual instalments at the end of 15 years and will be available to units paying as sales tax a minimum sum of Rs 25,000 per year. The sales tax and entry tax leviable on capital equipment acquired by a new unit between April 1, 1970, and March 31, 1972, will be refunded. The octroi leviable on raw materials imported direct will also be refunded. The government will assist new industries to obtain capital from the financial institutions. Land will be made available on long-term lease at new growth centres on condition that the industry will be set up within the prescribed period. The government has also agreed to bear a part of the cost of any feasibility report that may be prepared for starting a unit.

These incentives will be available to units with a capital investment of not more than Rs 100 lakhs. Units with a capital investment of Rs 10 lakhs or more will not normally qualify unless they employ more than 50 workers, have in their supervisory cadre a number of technical degree or diploma holders, representing not less than 5 per cent of the total number of workers, and agree to employ one or more officers from the panel of experts as the state government may decide in each case. These incentives are valid up to August 1973.

As compared to many other states, the incentives announced by the Government of West Bengal do not seem quite attractive. Moreover, the West Bengal government has not clearly indicated its intentions. For instance, it says that the government may bear "a part" of the cost of any feasibility report of a project. The Government of Maharashtra, on the other hand, has categorically stated that it will contribute 75 per cent towards the cost of a feasibility study done through an approved agency. The Government of West Bengal says that steps will be taken to assist new industries to obtain capital from the financial institutions. The Government of Maharashtra is more specific. It says that the State Industrial and Investment Corporation of Maharashtra will assist industries by underwriting or direct participation in equity/preferential capital, by giving term-loans for medium and large industries, and by guaranteeing loans granted by other financial institutions. Most state governments offer a rebate on the electricity tariffs for new industries. But West Bengal does not seem to have made up its mind yet on this subject.

Though West Bengal's incentives may not be as attractive as those offered by other states, they can yet contribute to some extent for industrial revival provided the government tones up its machinery and sincerely seeks the co-operation of the private sector. The central government and the Government of West Bengal should realise that the most effective way to stimulate the growth of small industries is by giving the utmost encouragement to large-

INDUSTRIAL EMPLOYMENT & MAN-DAYS LOST IN WEST BENGAL

Year	Employment				Total Man-days lost
	Factories	Plantations	Mines	Total	
1951	6,54,901	2,65,064	95,849	9,15,814	4,30,040
1956	6,82,297	2,02,446	1,11,004	9,95,747	1,809,934
1961	7,39,279	1,93,511	1,25,000	10,57,790	2,051,012
1965	9,10,191	1,91,702	1,29,241	12,31,134	1,362,568
1966	8,39,978	1,91,593	1,25,000	11,56,571	2,754,447
1967	8,32,000	1,87,612	1,22,000	11,41,612	6,118,816
1968	8,17,000	1,83,000	1,11,000	11,11,000	6,722,548
1969	8,24,606	2,00,000	1,04,535	7,29,141	10,273,294

scale industries. The opportunities and the resources are there and entrepreneurs also are willing to invest. But what is missing is the psychological infrastructure. The leaders of West Bengal continue to think always in terms of bandhs, mass movements, and demonstrations, little realising their effect on the morale of businessmen and making the revival of confidence most difficult. They have been creating an impression in recent weeks that the most urgent problem facing West Bengal is not the restarting of closed factories or the setting up of new ones but the withdrawal of the Central Reserve Police! Even government employees, students and teachers have put this forward as one of their major "demands". No leader whether of the Right or the Left has commented on the incentives offered by the government for industrial growth. If they are really sincere in helping West Bengal to prosper they should constructively co-operate with the government and the private sector and see how best and fast the economy of the state can be brought back once again to function with vigour. They should ponder over the figures given in the table on page 310 showing the fall in employment and the extent of labour unrest to which they have made no small contribution.

Promotion of Rural Industries

IT NEEDS more effort to lift an economically backward area out of poverty and stagnation than to draft fancy plans on paper. A determined bid to change the pattern of production and attitudes of people means a real confrontation with problems, as was demonstrated at a seminar held earlier this year at Anantapur district in the Rayalaseema area of Andhra Pradesh, which is considered to be an economically backward region. The seminar organised by the District Collector and the Department of Industries of Andhra Pradesh government was attended by the union Development Commissioner for Small Industries, the Small Industries Service Institute and state industrial development corporation, the state financial corporation and the state mining corporation. It spotlighted a number of handicaps that thwart the growth of industry in rural areas. It discussed in detail the problems relating to raw materials, finance and extension of communications to the small-scale sector.

There was a general agreement on the fact that small-scale industries play a significant role in correcting regional imbalances as well as providing rural employment and it was felt that adequate efforts were not being made to further the cause of industries in the district of Anantapur. Perhaps the most common problem faced by the small units has been the non-availability of raw materials at the time of requirement. The discussion at the seminar suggested that the union government should be persuaded to adopt a liberal attitude towards the demands of this area and increase the supply of sheets, sheet cuttings, stainless steel and wires. As a result of the shortage of raw materials several units engaged in the manufacture of consumer semi-durables worked at less than 26 per cent capacity.

A practical approach suggested at the seminar was to take up schemes for which raw materials were available in abundance in this area. The seminar identified that the region has sufficient quantity of tamarind leaves out of which tartaric acid can be extracted on small-scale basis. Solvent extraction of groundnut oil from groundnut cake and extraction of oils such as jasmin, *ajawan* and *podina* oils can be encouraged. Similarly particle board industry can be established to use groundnut hull and rice husk. Suggestions were also made for the manufacture of ragi malt, edible cottonseed flour and protein isolate.

There was a fairly enlightened discussion on the problems of financing the small-scale sector and it was noted that most of the units beyond the metropolitan area were located at a long distance from any bank, and therefore deserved some other sources of finance. Even institutions other than banks offered more than 70 per cent of the total credit to small-scale units established in metropolitan centres alone. It was urgued that immediate need existed to diversify the offer of credit to ensure a dispersal of industries among rural small entrepreneurs.

In spite of the unanimity of opinion emphasising the provision of finance for small units it will be pertinent to indicate that the medium-sized industry which generates sizable quantity of output and creates steady employment should not be ignored. It is the medium-sized industry which attracts working force from adjoining villages and maintains a steady communication with the urban areas thereby providing an assured marked for the locally produced raw materials. It would, therefore, be unfair to suggest that metropolitan units should not be encouraged with loans and other facilities.

It was also suggested that in the case of backward areas the National Small Industries Corporation should dispense with the six per cent service charge or, alternatively, the state government should subsidise a part of it in the interest of development in the rural areas. It may, however, be added that the participants in the seminar went a little too far in suggesting that the banks should take a more liberal view of the working capital requirements of small-scale industrial units. While it will be reasonable to expect a reduction in the rate of interest or suspension of service charge, an attitude of liberal distribution of credit may prove harmful because in the latter case less economical units are likely to take advantage of the availability of finance and involve public funds in wasteful avenues.

It was rightly recorded that the procedures requiring verification and other preliminaries regarding the provision of loan were quite cumbersome. Consequently the group recommended the adoption of a simplified performa for loans in rural areas. The seminar also discussed the overall attitude of various officials towards the small-scale units in the rural sector and it was pointed out that official outlook should change from one of 'regulation' to 'promotion' of entrepreneurship. In fact it will be more valuable to appoint extension officers after sufficient training so that they can guide the prospective entrepreneurs in starting new industries.

RECORDS AND STATISTICS

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The Problem of Price Stability

S. P. GODREJ

President, Indian Merchants' Chamber

THE INCREASE in wholesale prices of the order of 5.2 per cent since the beginning of the year brings into sharp focus the need for ensuring price stability as an essential condition for development in the fourth Plan period. Although the price index in the middle of July, which marks an increase of 3.5 per cent over that of the corresponding week in July last year, is not high in relation to the sharp price increase in the mid-sixties, it will be injudicious to take a complacent view that it was only a seasonal occurrence and does not require effective action. The Finance Minister has rightly underscored the importance of the problem of rising prices to curb which he gives topmost priority.

Perplexing Situation

It is rather perplexing that the wholesale price index should have moved upwards when conditions which normally go to push up prices are either absent or not strong. Three successive years of increasing output of foodgrains have removed the major cause which raised prices in the years after the drought. In 1966-67, while the wholesale price index rose by 16 per cent, the increase in the prices of food articles was 18 per cent. In 1967-68, a 21 per cent increase in the prices of foodgrains pushed the wholesale price index up by 11 per cent. By contrast, the 3.5 per cent increase in the whole sale price index this year reflects an increase of 1.3 per cent in the prices of food articles, 3.6 per cent in the prices of industrial raw materials and 7.8 per cent in prices of manufactures. In fact, prices of certain cereals such as wheat, jowar and bajra are a shade lower while the high prices of rice in certain areas are more on account of restrictions on its movement. In view of the prospects of a good monsoon this year, food production is likely to reach the target of 106 million tonnes and food prices will no longer be a price-accentuating factor.

Deficit financing, the villain of the piece in price rises of the past years, is no more a major cause, as the Finance Minister pointed out in the Lok Sabha. The actual deficit financing during last year was only Rs 58 crores as against the budgeted figure of Rs 290 crores and the combined deficit of the union and the states was only Rs 49 crores. It is likely that the fall in the deficit is partly due to the shifting of the burden of expenditure on items like food procurement to the nationalised banks, and not so much a result of budgetary discipline by the governments which have increased the allowances and salaries of their staff during last year, adding to the non-developmental expenditure. The money supply has increased at the rate of 11 per cent which is more than twice the rate of growth of production. The increase in the scheduled banks' credit by Rs 703 crores is also said to have contributed to the upward trend in prices since a part of the advances made to the weaker sections may not have been productively utilised for want of follow-up action by banks. Although it may not be possible to assess the extent of its full impact on prices, the budget, with a fresh burden of Rs 135 crores by way of indirect taxes, is yet another factor which has added to the price rise.

High Cost of Production

Whether in agriculture or industry, the increased prices of raw materials and other essential inputs are reflected in the higher cost of production. When the farmer has to obtain fertilizers or implements at higher prices, it is naturally reflected in higher prices for his output. The increased food production of the last three years has not tended to move down food prices except marginally, also because of the high rate of growth of population. The per capita availability of foodgrains, notwithstanding the record production and continuance of imports under PL-480, has not yet reached the 1964-65 level. As regards agricultural raw materials, serious shortages have developed in supplies of cotton, jute, groundnuts and other items owing to the official failure to anticipate a rise in demand for them and ensure their increased supplies. The green revolution has so far embraced only foodgrains production. The rise in the raw materials prices has, therefore, impinged on the cost of production of manufactured articles.

What can be done to meet the situation? In a developing economy like ours, some increase in price levels is unavoidable consistent with heavy programmes of investment. At the same time, it is essential to so direct our efforts that they do not encourage the price levels to jump the safe margin and give rise to inflationary conditions in the economy. The lasting solution to the problem of inflation is increased production to match with the rising demand of the existing population and with a cushion for a reasonable rate of increase in population. Increased production in the agricultural sector must lay greater stress on increasing production of cash crops like cotton, jute and oilseeds.

Import Assistance

In the short run, the shortages have to be tackled by import assistance to the extent necessary. Quite a number of items are canalised through the State Trading Corporation and there are often complaints that the margin charged by it is unduly high. This has to be avoided if industries are not to be burdened with high prices for raw materials. Production should be allowed to continue unhampered by a fuller utilisation of the available capacities built over the last two decades at considerable cost and sacrifice.

In order that the economy may reap the full advantage of the increasing industrial production, it is essential that the cost of production is not allowed to increase further. In fact, efforts must always be made to bring about a reduction in the cost of production through lower cost of imported raw materials and other components which go into the manufacture of end-products.

Governmental levies and duties represent a sizeable percentage of the prices of most of raw materials and components and, therefore, any reduction in their prices must necessarily lead to a review of this burden. The industries again must be able to secure their requirements of working capital at reasonable cost. At present some of the industries bear an interest burden as high as 12 per cent. So much about creating conditions for existing industries to step up production.

The wider question of increasing industrial production to meet the rising demand for consumer and other products consequent on the higher incomes in the rural sector extends to

the adoption of appropriate policies by the government for setting up new industries and broad-basing the industrial structure. A production-oriented industrial policy should not be sidetracked by doctrinaire considerations. Within the overall scheme of the regulatory framework of priorities of the Plan, the establishment, expansion and diversification of industries should be permitted without proliferation of restrictions and controls. The negative approach stemming from unrealistic premises of restraining experienced industrial firms of long standing from expanding or diversifying production and by limiting through licensing the area of operation of the medium-scale units cannot be regarded as conducive to greater production. Positive measures of encouragement to the small industries are no doubt welcome; but how can the nugatory step against the expansion of existing industrial units be expected to help the cause, especially when larger units do not come in the way of the growth of the small-scale sector and when there is high degree of inter-dependence between large and small scale industries ?

The industrial climate today is bedevilled by uncertainty arising out of the official policies and decisions which have greatly hampered new investment and enterprise. Under the threat of conversion of loans into equity and exercise of voting rights of pledged shares by banks, entrepreneurs are in a state of 'suspended animation' regarding new ventures. The proposal for differential interest rates by the nationalised banks aims at raising the cost of the capital to large-scale industry. These factors in their totality act as deterrents to extension of manufacturing activity with a view to supplying low cost goods to consumers. If the objective of price stablity is to be attained. there should be complete reorientation in our policy measures, free from ideological predilections.

Whither Government ?

R. V. MURTHY

THERE ARE no two opinions in the country about the need for speedy economic growth. Opinion also is not divided on the premise that, as things stand today, India is most favourably poised for economic growth. Nevertheless, both businessmen and, though not to the same extent, government spokesmen as well seem to entertain doubts about the prospective pace of economic growth. Such was the impression one carried back after attending the eighth annual meeting of the All India Association of Industries (AIAOI) and the Seminar on the Revised Industrial Policy that followed it in Bombay a few days ago. (By the way, the AIAOI has been following this healthy tradition of focussing attention of long range economic issues of a crucial nature every year at its annual meetings.)

It is obvious that if businessmen are not able to make up their minds because of the plethora of policy statements and press statements, followed invariably by supposed clarifications by ministers which more often add to confusion than clear doubts, government spokesmen also are not themselves quite clear about the likely consequences of the new policies or redefinition of earlier policies of the government. Take, for example, the new industrial policy, or, as some participants in the seminar maintained, the new industrial licensing policy. Since February 18, 1970, a series of press notes and notifications have emanated from government spelling out this new policy, but this has not prevented businessmen from asking : "Who is the final administering authority for sanctioning an application for an industrial licence? If, as a Minister of State said in the Rajya Sabha recently, all the economic objectives and priorities of government policy are to be subordinated to the Monopolies and Restrictive Trade Practices Act, according to a well-informed economic adviser to a leading industrial house, there would be a guaranteed built-in delay of at least seven months! Thanks to the continual (or is it continuous?) elaboration of industrial policy, there is no longer a queue for industrial licences. If for the last nine to twelve months the rate of our economic growth has been stagnating, we can pin down the government's industrial policy as the single contributory factor, as Dr F. A. Mehta told the seminar. What kind of socialism is this which deliberately stunts growth, he asked, and he wanted to know whether the country needed today a fraudulent socialism based on preventing economic growth or a genuine socialism based on promoting economic growth.

The industries' spokesmen who participated in the seminar made it very clear that the restrictions on larger industrial houses and foreign concerns in the "middle area" industries and their exclusion from the delicensed sector even where development could take place with the help of indigenous imports, would have far-reaching consequences on the pace and tempo of industrial development of the country. Some of the economists present, on the other hand, sought to justify the new policy on the ground that what it aims at is not the achievement of mere industrial growth as such, but "diffusive growth", to quote Dr P. R. Brahmananda. In other words, this school also endorsed the view that the new policy would have some adverse effects. Another economist—Dr J. C. Sandesara—went further and said that the country was not interested in the growth of the large industrial houses but in the overall growth of the country. Does this mean then that the growth of the large industrial houses will not add to the overall growth of the country? Similarly, this speaker made the point that India's industrial growth was more rapid—about 10 per cent—between 1957-58 and 1962-63, despite the government's adoption of the socialistic pattern of economy, the nationalisation of Life Insurance and several other admittedly inhibitive developments, as much as to suggest that the new industrial policy would not hinder growth. The understandable reaction of some to this was that the rate of growth would have been appreciably higher had not these inhibitive factors been there.

Balanced View

Perhaps the most balanced view from the academicians' side came from Dr B.V. Mehta. He made these three points: (*i*) what seems to govern growth today is willingness to invest the industrial licensing policy; (*ii*) growth stemming mainly from industrial licensing will not be efficient, and (*iii*) costlier growth due to proliferation of industries of less than the optimum size will hit the consumer.

A view was expressed, rather quite vehemently, that there was a tendency on the part of big industrial houses to encroach on the preserves of small-scale industries and that this tendency should be arrested. Any broad generalisation like this is misleading. For instance, would it be considered as a big industrial unit encroaching on the sphere of small-scale industries if it farmed out the manufacture of components needed by it among several small-scale entrepreneurs, simply because it also happens to provide capital, know-how and even equipment at times on condition that the output should be sold only to it? There are several ways in which bigger industrial units have been helping smaller units and actually want the latter to make their contribution which a vast

country of the size of India requires, as Mr J. R. D. Tata has observed in his statement to the shareholders of the Tata Oil Mills Ltd.

Dr P. B. Medhora of ICICI neatly brought out the distinctive features of the original Industrial Policy Resolution and the subsequent amendments thereto and made the point that a negative attitude as that adopted in the latest policy change was not called for, especially at a time when both the scope of and the desire for investment was limited, as reflected in the steep drop in the number of industrial licences. He was also not for the restriction on diversification in respect of larger houses and felt that the greatest factor in creating lack of confidence on the part of industrial houses was this restriction on freedom of functioning. The new industrial policy, according to him, was too much dependent on the "middle sector" and he, therefore, counselled a review after a year or two, presumably, one supposes, for the government to be able to make amends not too belatedly. But the question of questions is what will happen to our economic growth in the meanwhile. May be, as Mr J. H. Doshi, past AIAOI president, said, the government will realise its mistake and relax eventually, but, by then, no one can say what the extent of damage would be.

British Example

In this context, it is pertinent to refer to the remarks of Mr Harish Mahindra, the AIAOI president, about the unsettling effect on the British steel industry of the conflicting policies of the Labour and the Conservative governments of the UK. He was quite correct in holding that the growth of the British steel industry has been stunted directly on account of these uncertainties which have made Britain lag far behind in the league of leading steel producers such as the USA, Japan and West Germany. As against Japan's massive addition every year of 10 million tonnes of capacity to raise Japan's steel production to 100 million tonnes very soon, Britain is expected to reach just 33 million tonnes by 1975. Talking of steel, we must refer to the observations of Mr B. R. Bhagat, Minister for Steel and Heavy Engineering, when he inaugurated the AIAOI meeting. He spoke of a rational steel policy for the next 10 years and of adding one million tonnes every year for the next 10 years. Even at this rate, it may be noted, India's steel production in 1980 would still be below Britain's present production of 25 million tonnes.

Mr Bhagat, who has a commendable record as Minister for Foreign Trade, is pragmatic, and this explains why he wanted the seminar to examine the government's new industrial policy from the following angles: (*i*) There must be a higher rate of growth from around six per cent to 12-15 per cent, (*ii*) Will the new industrial policy help achieve this rate of growth? (*iii*) What are the missing elements? The suspicion of many present was that these questions were asked rhetorically. This apart, Mr Bhagat was trying to convince his auidience that there was no ban on growth as such and that the new industrial policy was a series of measures to prevent concentration of economic power. It is this supreme faith in the industrial licensing power as a means to prevent concentration that is misplaced. As Mr Babubai M. Chinai, MP, put it, "The fallacy of this belief is that the question of having to deal with monopolies can arise only if somebody takes up production of certain services or goods." It is all right for Mr Bhagat to talk of psychological conditions as being important for economic growth, even more than techno-economic conditions, but he should not forget that it is not the psychological conditions of only the have-nots that require to be taken note of but also those of the haves. There is a psychological upset among the latter and this explains the following four crucial issues raised by Mr Harish Mahindra in his extremely constructive address :

(1) How will the radical measures like the nationalisation of banks, the take-over of import of raw materials, ceiling on urban property and such other measures ease by themselves the intensity of poverty of the masses or bring us nearer to the goal of a socialist democracy ?

(2) Will not these policies, particularly the industrial policy of the government, shackle both industrial development and growth defeating their principal objective?

(3) Shall we not, in our execessive preoccupation with reduction of inequalities suffer setbacks in achieving the equally (if not more) desirable objective of maximisation of incomes withing the shortest period of time?

(4) If economic development suffers thereby, will not the people place the blame squarely at the doors of the policy-makers who, for want of a pragmatic approach to all economic matters allowed such a development to take place?

But to all students of the nation's economic affairs in particular and for the common man generally, it is not only answers to these, but the danger of this country missing a golden opportunity to get on with the prime task of rapid growth of the economy just when it seems to be looking up and running on well-oiled wheels that should occasion the utmost concern.

Training of University Administrators

R. P. PURI

IF THERE is any aspect of university education which has been woefully ignored so far it is the training of the university officers (who include Registrars, Deputy Registrars and Assistant Registrars) and other staff members who occupy positions in the lower rung of the hierarchy. Numerous schemes have been initiated for enabling university teachers to make themselves professionally competent. The UGC is also doing all that is possible to improve the quality of library service, on the efficiency of which, without any exaggeration, depends the very character of the academic life of our universities which are at the crossroads today, facing unrivalled challenges. But the question of regular training to the university employees has not been given any serious thought, either by the University Grants Commission or by the universities themselves.

The university employees would remain professionally weak if the need for their training is not considered as great as the need for training government employees. For the purpose of training government employees even at the junior level, there do exist institutes such as the Central Secretariat Training School which prepares them well for their jobs. Also, those who enter the Government of India service through competitive examinations such as the IAS, IFS, etc., are made to undergo intensive training at the National Academy of Administration, the School of International Studies, the Indian Institute of Foreign Trade, the Indian Institute of Public Administration, and so on. Besides this, they are also attached to district offices and different central ministries for some time in order to enable them to obtain practical knowledge of work before they are assigned regular jobs. In-service training for certain categories of government employees working at the centre or in the states is now a regular feature of the well-integrated training programme, ensuring adequate standards of efficiency.

The Radhakrishnan Commission

(1948-49), which looked into the question of Indian university education, did not make any specific recommendation concerning the training of the university employees. The reforms suggested by it to improve upon the university administration related merely to the reorganization and reconstitution of various university bodies. Similarly, its successor, the Kothari Education Commission (1964-66), also did not make any concrete recommendations in this respect.

Inefficient Administration

The report on "Prevention of Corruption" submitted by the Santhanam Committee, appointed by the Government of India, had, among other things, observed that the administration of our universities suffered from malpractices and that it was far from satisfactory. The Pavate Committee on University Administration, appointed by the UGC, to go further into the matter also unhesitatingly testified these observations and declared that the malady existed because of the weak and inefficient administration by "inexperienced officers."

We need not struggle hard to prove how far these findings stand the test of authenticity because the reports of enquiries conducted into the affairs of many of our universities from time to time make it evidently clear that the situation is not as satisfactory as it ought, or rather presumed, to be. Let us, therefore, at least have some idea of what some of these reports have said about the state of university administration.

A thorough enquiry conducted by the S.P. Sinha Committee into the affairs of the Patna University covering the period July 1960 to December 1965 revealed that the "existing financial" set up had miserably failed to exercise an effective control over the finances of the university. According to the com mittee, the state of finances, fiscal administration, and accounts of the university, called for radical measures to ensure a satisfactory system of accounts and avoidance of financial mismanagement, which seemed to be the rule rather than the exception.

The first Visitorial Committee (1958), the Mudaliar Inquiry Committee, which went into the affairs of the Banaras Hindu University, felt that the university office required to be thoroughly organised. In 1965-66 the Estimates Committee of Parliament also stressed the need for keeping the working of the university administration under constant review so as to effect improvements as and when necessary. The second Visitorial Committee (1968), the Gajendragadkar Enquiry Committee, observed —ten years after the appointment of the first Enquiry Committee — that the university administration was not what it should be! Even the vice-chancellor admitted before the committee that the registrar's office needed immediate attention, for it was in a "state of confusion"! He further added that many students' agitations sprang from office delays and inefficiency, and that "not only there is indiscipline but also a great deal of inefficiency." He, therefore, felt that some prompt and effective steps should be taken to put the university office into proper shape. In conclusion, the committee, therefore, recommended the setting up of an experts committee to suggest measures to streamline the office administration.

A State of Mess

According to the Aligarh Muslim University Audit Report for 1951-52, the finances of the university were reported to be in a state of mess in the absence of prescribed procedures or checks and non-observance of elementary requirements of sound financial administration. The Enquiry Committee (1961) appointed by the government to look into the affairs of the university was struck from the beginning of its work by the total absence of any system for the maintenance of the university records, further observed that "the unsatisfactory state of affairs is not confined to any particular office of the university but is prevalent in its whole set-up."

While dealing with the administrative set-up of the Aligarh Muslim University, the Estimates Committee of Parliament (1965-66) had suggested that a small committee might be appointed by the UGC to conduct a horizontal study of the administrative structure of *all* the central universities with a view to laying down a standard pattern of administrative reforms.

The recommendations made by the Kothari Commission aim to put as much strain on teachers, researchers, and scientisits, as on university administrators, for achieving the objectives, the realization of which should enables us to attain internal transformation of the educational system so as to relate it to the life, needs, and aspirations of the nation. It would thus be unreasonable to assume that the university administrators would remain unaffected by the obligations which the recommendations of the commission have created for them.

The Kothari Commission's Report also recognises beyond doubt the fact that there is need in the universities for a permanent machinery for planning and evaluation detached from day-to-day administration for generating new ideas and new programmes and for periodic evaluation of their work. Thus, unless the universities try to understand what their goals and objectives are and what would be the effect of their implementation, it is doubtful if any worthwhile result would come out of their efforts.

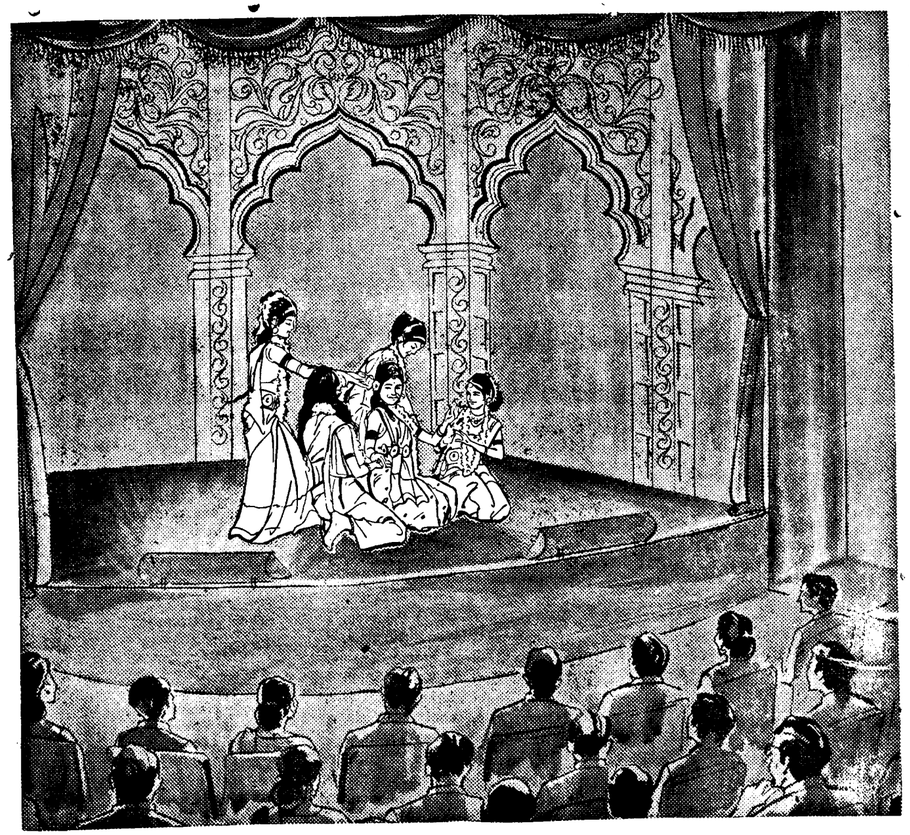
The concept of planning demands that we must determine both means and machinery through which projects are to be executed and their objectives fulfilled. Moreover, planning is concerned not only with the creation of new facilities but also with getting the optimum results from facilities clearly available. Continuous appraisal of progress is therefore of fundamental importance. Suitable information and reporting systems will also have to be devised so that those responsible for the implementation of projects can anticipate difficulties, judge for themselves their methods of working and efficiency of performance at each stage of progress in relation to predetermined targets of costs and time, and take corrective measures before the situation goes out of hands. The implementation of plans is undoubtedly associated with better organisation and attention of the general administrative machinery. If we ignore all this, we do so at our own peril.

Vast Expansion of Work

The question of the training of university administrators has been brought to sharp focus because of the rapid expansion of the activities of our universities. Enrolments at the undergraduate stage in arts, commerce and science courses have increased from 191,000 in 1950-51 to 759,000 in 1965-66; and in 1985-86, this number is expected to reach 2.2 million. In post-graduate courses in arts and science and in research, the total enrolments which were 18,000 in 1950-51 increased to 86,000 in 1965-66.

The enrolments at the post-graduate and research levels were 108,000 in 1965-66. This figure is likely to reach about 960,000 in 1986. Similarly enrolments at the undergraduate level in legal education would increase from 32,000 in 1965-66 to 76,000 by 1986.

Yet it is not only the number of students which has gone up. There has also been an all-round expansion in the activities of the universities: more development schemes have been started; the existing departments have been expanded and a large number of new ones have been established and their activities multiplied. The number of of universi-



Not by bread alone

Cultural activities mean a fuller life. These need not be confined to the well-to-do; at least, not in Jamshedpur, where the Community Centres in the low income areas provide ample scope for self-expression and enjoyment. The other activities at these Centres include sewing and knitting classes, kindergartens; music and dance classes.

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ties which was 20 before we attained independence, has risen to 75. This number without doubt will increase, both during the fourth Plan period and the next one, especially when several proposals to start new universities are under way. Also, there are a large number of institutes of higher learning which are working side by side with our universities and whose activities have also increased manifold.

Requirements of Training

The preceding facts make it doubly necessary that a well-organized training programme for the university administrators should be started without further delay. The programme should be so oriented as to develop in them the the requisite ability and capacity to deal effectively with the tasks that involve planned formulation, implementation, and evaluation. The training should also aim at developing right attitudes, increasing the decision-making ability, and stimulating critical and innovative thinking among the officers.

No common training course can be universally relevant to all categories of staff. The staff members will have to be distributed in two or three groups according to the nature of their duties and responsibilities. The trainees should be made conversant with the techniques of accounting procedures, decision-making processes, personnel management, public relations, budgeting, graphic presentation of facts, office organisation, conduct of examinations, and processes by which business projects of widely different kinds are planned and executed. They should have the capacity to understand and absorb the main points of letters, reports, minutes, and other documents that the university might receive from outside agencies. They must also have the ability to prepare faithful minutes and other memoranda giving not only facts but also making them intelligible to others. They should be given equal opportunity to criticise the work of others and to compare their results with those of others. Similarly, the staff at the junior level must know how to keep records, watch the movement of papers, deal with simple cases, etc.

The subjects of finance and accounting should be afforded due place in the training programme. Those staff members who have already had some training while working in the government accounts department, and go over to universities on deputation may not require training in elementary methods. But those who have merely obtained a degree in accounts or in commerce do need some sort of formal training in order to become conversant with accounting, budgeting, and other intricacies of financial matters. Some elementary knowledge of statistics is also necessary for all. But those who are directly concerned with accounts, examinations, and students' work, should possess some specialised knowledge of this subject.

The new entrants at lower level should be treated as being 'under training' for at least two to three years so that they may be given adequate opportunity to improve their knowledge of office work.

The senior administrative officers will greatly benefit from their participation in a relatively small and short discussion groups or seminars where they can share with each other their views on some selected problems. Therefore seminars and workshops should form a regular feature of the training course. Officials both at the senior and at the junior level working in the relatively newly established universities should be given ample opportunity to spend some time at the old and well-established universities which have accumulated experience in university administration. This will enable them to see for themselves the procedures and methods of management at work, make a comparative study of the administrative problems of the older universities and those of their own, and work out solutions which they may adopt in their own universities.

Legal Grounding

Even though every university utilises the services of a lawyer, it is very essential that those university officials who decide matters relating to registration of students, examination results, submission of certificates, contracts entered into with teachers, research scholars and contractors (for the construction of buildings), must themselves have some legal grounding. They must be well aware of what the university administration is permitted to do or not to do under the rules and also be cognizant of universty's obligations, not only towards the students but also towards the community as a whole.

The work relating to the bringing out of pamphlets, annual reports, and other publicity media, is ordinarily entrusted to the university press which is helped by a staff member specially appointed for the purpose and designated, in many cases, as Editor of Publications. But it is necessary that the administrative officers should have some knowledge of the technicalities of the job so that the work may not suffer in the absence of the editor.

In the present set-up of our universities, public relations as such does not play any active role. But it is very essential that such of the staff members of the university who are likely to come into regular contact with the outside world, students, and teachers of the university, should have some knowledge of the manner in which they should conduct these relations.

It is suggested that case studies with reference to specific administrative problems should be undertaken and their results made available to all the universities for guidance and adoption with appropriate changes demanded by their own peculiar problems.

Central Agency

The training programme should be entrusted to a central agency which would frame syllabuses, keeping in view the requirements of different categories of university staff members. A separate institute to organise the training course is not called for, because it will be too costly and probably not required for the time being. The Inter-University Board should be assigned a key role in co-ordinating this work. It should organize the courses in collaboration with the institutions already conducting somewhat similar training courses. In Delhi, the Indian Institute of Public Administration and the Asian Institute of Educational Planning and Administration can be asked to work out a training programme for the employees of the universities situated in the states of Uttar Pradesh, Jammu and Kashmir, Punjab, Haryana, Rajasthan, and Madhya Pradesh. Such departments as of Business Management, Industrial Administration etc, of the Delhi University and one or two other universities can profitably be associated with the programme. Similarly, the Indian Institutes of Management at Ahmedabad and Calcutta can do the job for the universities located near them with the active help and co-operation of the university departments concerned. But matters such as the framing of syllabus, the content of the course studies, subjects of seminars and workshops should be handled by the board assisted by a committee consisting of vice-chancellors, registrars, finance officers, and at least one senior staff member of the UGC.

As the UGC and the universities are equally responsible for giving proper training to university employees, both should meet the expenses to be incurred in the organisation of the training courses. Therefore, it is suggested that in the beginning each university should contribute annually at least a sum of Rs 5,000 and the UGC Rs 50,000 for the this purpose. Also the foreign founda-

tions such as the Ford and the Rockefeller Foundations may also be approached for special grants. Their response is likely to be positive and helpful, especially when both the foundations have already contributed a great deal to the improvement of our university education. This is testified by the fact that during the period 1951-69 Indian universities received from the Ford Foundation grants to the extent of $12,540,783.

Ancillary Steps

Apart from making this training a permanent feature, we must also take other ancillary steps to ensure continued efficiency of the administration so that it gets to grapple with the enormous problems which lie ahead of it. Keeping this in view, a few more suggestions are made.

In each university a small committee should be set up, consisting of the registrar, three teachers (one of them dealing with subjects such as public administration, business management, etc.), and two senior students to consider from time to time problems affecting the smooth working of the university work. The proposed committee should include not only those persons who have practical experience of the job but also those whose mature minds are well saturated with useful ideas. When all of them pool together their experience and intelligence, the remedies coming from their discussions will undoubtedly deserve to be considered seriously.

The association of students at this stage will also exercise a positive sobering influence in removing many causes of their complaints. The committee should not only strive to remove the existing bottlenecks which are retarding the administrative efficiency of our universities but also take concrete steps to streamline their administrative machinery. For this purpose, suggestions should be invited regularly — the faculty, the students, and the office staff. The committee should also perform the functions of a kind of an economy cell (which at the moment does not exist in our universities) so that it may examine minutely and independently of the University Finance Committee and suggest ways and means by which expenditure on certain items could be brought down.

Another suggestion which is worth trying is that each registrar's office should have a small collection of books, which may be called registrar's library, dealing with personnel management, office organisation, the conduct of meetings, keeping of office records, audit, accounts, budgeting, public relations, financial and administrative rules framed for government offices, etc., so that the staff members may make use of them in the performance of their duties. The audit reports of the universities, the reports of the estimates committees of state legislatures as well as of Parliament dealing with universities should also be placed in this library, and also the reports of the commissions and committees appointed from time to time to inquire into the affairs of universities.

It is feared however that the proposal to start these libraries may not make a headway if its implementation is left entirely to individual universities. The Inter-University Board therefore would do a good job if it undertakes the responsibility of building up these libraries by suggesting to the universities from time to time the books and other relevant reports that they should acquire. In addition, it should also undertake the work of culling out from various university audit reports those objections which are likely to be committed by other universities and circulating them among the universities. Similar action should be taken in respect of the recommendations of enquiry committee reports and the decisions of the courts concerning the universities.

Delegation of Powers

Thirdly, the administrative set up of the universities also needs to be organised (where it has not been done) in such a way that officers in-charge of different branches should have powers and authority delegated to them to deal effectively with matters falling under their respective jurisdictions. This, what is called decentralisation, would make them answerable for their acts of ommission and commission. At present, both power and authority are mostly vested in the registrar. This makes his colleagues, and those working under them, feel as if they were not in any way involved at any stage in the university administration and in framing and executing its policies. Their indifference to their work is therefore inevitable. This tendency must be curbed by devising ways and means by which the efficiency of the individual staff members is recognised and rewarded appropriately.

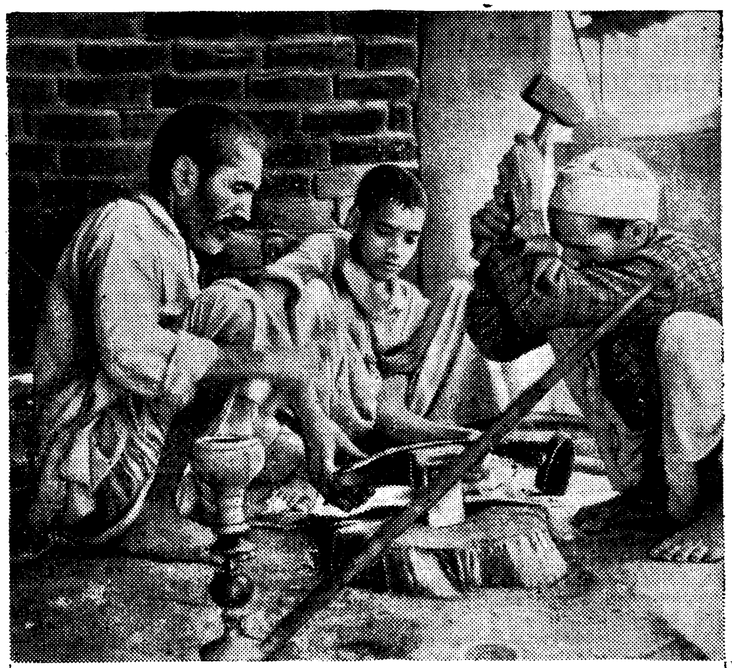
Fourthly, at least for a group of universities in a state there should be an Organisation and Methods Division. Interestingly, an estimates committee of Parliament once suggested the establishment of such an organization for all the central universities. We must however take precautions to avoid the pitfalls this organization is likely to suffer from. The staff to be employed for it should be senior so that their recommendations may carry weight and are implemented. Its personnel should be experts in their job and not be merely generalists. Their services should not be availed of by a university only when it requres additional staff. On the other hand universities should take advantage of their expertise on a regular basis in solving many of their administrative problems affecting their efficiency.

Efficiency Audit

Fifthly, each university should introduce a regular system of Efficiency Audit involving all aspects of the university's work at all levels. It should undertake a phased review of the total operation of the university. This task can very well be performed by the committee, suggested above, consisting of the university administrative staff, teachers and students.

Lastly, if there is resentment among students, faculty members or even among members of the administrative wing themselves, the reasons are not far to seek. The impression which the the administration generally gives even to the staff members in dealing with their cases is that of complete bossism. This attitude on its part alienates the staff and students from the authorities and creates complications which can be avoided if the administrators are a bit accommodating and helpful. The accusation that the staff members often want to get things done in violation of the rules is not always correct. Rules always seem to be irritating. But a tactful handling of the situation can resolve a problem amicably without disregarding a rule. It is pertinent to note in this connection what the Foulton Committee (England) says relating to good staff relations. "The high morale of the staff owes a great deal to the universal acceptance of the principles of joint consultation." Our universities should also adopt this system with some modifications so that consultations between the staff and the authorities at the round-table may resolve many of our problems.

In conclusion, it may be said that the training of the university employees will not only cost additional expenditure but also involve the investment of a certain amount of administrative, as also academic, time. But nobody can deny that the attempt would be well-worth to make. Besides undertaking a well-organised training programme, other suggestions made in preceding pargraphs, namely the setting up of Registrars' Libraries, O and M Division for a group of universities, and an Economy



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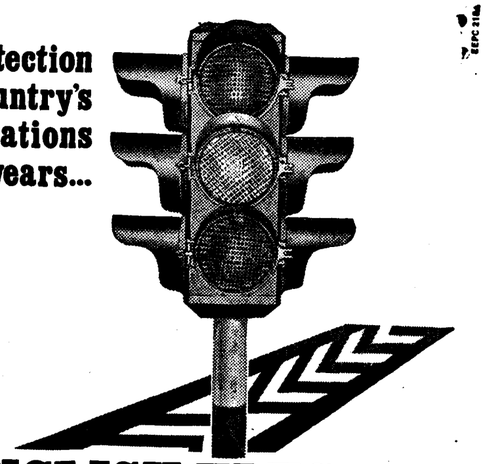

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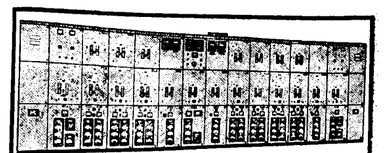

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Cell in the form of a committee, IUB's project to glean information from various reports concerning university matters and circulate it among the universities, decentralisation and so on, also deserve to be considered seriously, for the cumulative effect of their implementation on the administration would indeed be rewarding and for the betterment of the university employees.

Tourism in S-E Asia

HOMI J. H. TALEYARKHAN

INDIA HAS great scope to promote its tourism in south-east Asian countries. Countries such as Japan, Hong Kong, Thailand, Singapore, the Philippines have spared no pains or efforts to attract as many tourists as they can to their countries and earn as much as possible in terms of foreign exchange. There is a sufficiency of well-appointed hotels with all amenities and facilities; excellent internal travel arrangements by road and rail, by air and sea; development of all available resorts on seaside or on the hills; all varieties of cultural entertainment; eating places and restaurants everywhere along the way; souvenir shops in abundance; and in such places as Manila and Bangkok even a complete life-like representation in one area of different types of life, living and culture of the land, usually near the airport so that tourists could see everything at a glance.

India has even more tourist attractions to offer and by coordinated efforts it should be possible to have more tourists from the countries of the region visiting us. For example, last year, over 170,000 Japanese tourists visited Hong Kong whereas only 8,500 came to India.

Religious Affinity

By a more concentrated and coordinated effort it should be possible to get many more Japanese friends to come to India especially as they have a religious affinity to this country because of it being the birth-place of Buddhism, a major religion of Japan. Most Japanese generally have an urge to visit India at least once in a life-time. Talking to many people during my tour, I found that the people in the region showed great interest in India.

Now, with our new-found consciousness for promotion of tourism, which has already started yielding results, we would endeavour to concentrate on attracting tourists also from within this region. An admirable example of coordinated efforts to secure a larger share of international travel market is that of East Asia Travel Association recently started with Japan, Hong Kong, Korea, the Philippines, Thailand and even Macao as its members. We can do likewise.

We should also join the efforts which are being made to conduct studies on comparative air fare with a view to reducing the costs and attracting more tourists to the region because one of the difficulties of our region is that due to long distances the fares are heavy.

The Asian Development Bank has recently decided to assist Nepal in the promotion of tourism by giving assistance to its airways. We should approach the Asian Development Bank to make surveys of the cost of tourism relating to air fares, hotel charges, internal transportation, meals, etc.

Promotional Work

Though government-aided, tourist promotion in south-east Asian countries is largely entrusted to autonomous organizations. They do mostly promotional work and create consciousness all over the world for attracting tourists to their respective countries. They have branches all over the world. For example, the Hong Kong Tourist Association has 33 different outlets or offices. All these organizations are constantly engaged in marketing research and surveys. They have their own selling force and their airways report to them the result of such selling efforts.

These associations and their branches are well-financed by their governments. For example, the Japan National Tourist Association receives a subsidy of nearly $ 2.7 million, and together with the contributions they receive, it comes to an aggregate of three million dollars annually or Rs 22.5 million. This amount they spend on overseas offices, publicity programmes including publication and distribution of literature, slides, films, newspaper advertisements, running of information centres, inviting representative visitors, organising fairs and exhibitions on tourism, etc.

Travel Agencies

In addition to the JNTO's efforts, Japan has 3,500 travel agents who employ over 11,000 staff. The Japan Travel Bureau is the biggest agency of the lot. They own 900 luxury coaches which conduct tours all over the country carrying on the average 10,000 tourists daily. They conduct 10 daily tours in Tokyo alone including a special one to see Japan's industries and handicrafts, in which tourists are showing interest.

The special concessions which have been allowed to attract foreign tourists are :

(*a*) Exemption of commodity tax on souvenir articles favoured by tourists.

(*b*) Reduction on various entrance fees and train fares; 15 per cent reduction for groups.

(*c*) No individual tipping system.

(*d*) Holding training courses to promote employees' language ability;

Eastern Economist 25 Years Ago

AUGUST 24, 1945

AT AN important Press Conference, held on Wednesday last, Sir Ardeshir Dalal, Planning and Development member, Government of India, gave a lucid account of his abortive mission to the United Kingdom and to the United States. He was unable to convince organized British vested interests regarding the desirability of an immediate repeal of the commercial safeguards provided for them in the India Act of 1935. He was unable to persuade H.M.G. to agree to some form of price control that would enable Indian industrialists to place orders for capital goods. He was unable to secure any special priority for supply of capital goods to India. He was unable to make any headway in the United States, partly because the Empire Dollar Pool is outside his jurisdiction but mainly because Big Business there has serious doubts regarding not only the stability but also the bona fides of the Government, he had the honour to represent. The only thing in which the Honourable Member succeeded was the admission of our students to certain technical institutions. But even in this respect, the success was only partial, for admission of foreigners to factories in the United States has been rendered almost impossible by war-time regulations; and it is this training in factories, which is real technical training of some positive, practical use in the industrialisation of this country. Training in so-called technical institutions is more or less academic, of which we have had too much. And we have had too little of the real thing — practical training in workshops. Sir Ardeshir tried his best but was unable to secure us these real facilities, obviously on account of circumstances beyond his control.

language barrier in Japan is worse than sound barrier.

(*e*) Exemption from hotel tax in 1970.

No wonder with all this enormous promotional effort, Japan attracts 700,000 tourists every year of whom 52 per cent are Americans. They earn $ 180 million (Rs 1350 million) every year in foreign exchange.

Tokyo alone has 21,000 first class hotel rooms and thousands of others for low-income group tourists, particularly in guest houses, inns, youth hostels, etc. All over Japan, there are 200 western style hotels and over 29,000 guest rooms. Their occupancy rate is over 80 per cent. In addition, there are over 80,000 *ryokan* rooms in Japan. These are traditional Japanese style hotels.

Every Japanese is allowed to take $1000 when he goes on a holiday. The number of Japanese going out of the country every year on holiday or business-cum-holiday tours is even larger than foreign tourists coming in. About 760,000 Japanese go out of the country every year and spend $260 million in the aggregate. It is unfortunate that out of this large number only 8,500 Japanese come to India. As a matter of fact, more Indians go to Japan than the Japanese that come to India. Last year 9,000 went from this country to Japan.

India : A Destination Point

This shows more promotional efforts need to be undertaken. Unfortunately, we have been hit by the opening up of the Continental and Moscow air routes. It has resulted in overflying India. It is vitally important that India should be made a destination point for the Japanese.

Japan strongly believes in giving all facilities for promotion of domestic tourism. As a matter of fact, it is the mainstay of travel agents, unlike ours who ignore domestic tourism. Last year, 1000 million Japanese went on holidays inside their own country and those who stayed more than one night spent an aggregate of over $225 million. To cope with the rush of domestic travel, the Japanese are providing more and more oceanic recreation facilities and improving inland recreation areas. In spite of all its concentration on economic growth, so much importance is given to tourism in Japan that recently a ministerial committee has been set up for strengthening still further Japan's tourist administration.

A few years ago, Japan passed the Tourism Basic Law with a view to encouraging tourism since it is realised that tourism makes substantial contribution towards the improvement of international balance of payments. The law provides for the following objectives: (*a*) stimulating inflow of foreign tourists and improving reception services for them, (*b*) establishing tourist resorts and centres, (*c*) ensuring safety of tourists in travel and increase in their comfort, (*d*) to facilitate family travel, and (*e*) to generally develop tourism at all levels. The law provides for the government to submit an annual report to parliament on measures taken for promotion of tourism. There are 11 other laws governing different aspects of tourism, such as aid to international tourist industry, guide interpreter business, travel agency business, law for improvement of international tourist hotel facilities, hot springs and development of spas law, etc.

The Tourist Gem

In picturesque Hong Kong, the little tourist gem of the east, tourist activities are even more hectic. Over 900,000 tourists come to Hong Kong every year from some 100 countries and spend $230 million (Rs 1725 million). Each tourist spends about $300 a day in Hong Kong, 56 per cent on shopping. Hong Kong has 8300 hotel rooms of which over 60 per cent are de luxe or first class. In addition, they have numerous guest houses resembling our YMCA.

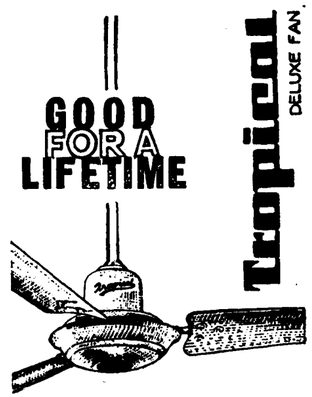
The Hong Kong Tourist Association is even richer than its Japanese counterpart. Its annual budget is over $7.5 million, comprising government subvention and 2 per cent hotel tax which the government passes on to them, plus some other forms of matching governmental assistance. They spend one-third of their funds on administration and two-thirds on marketing. The largest number of visitors to Hong Kong are from US, Japan, the UK, Australia, and the Philippines. From Japan, there were 170,000 visitors last year. From India about 12,000 visit Hong Kong every year.

Even in the Philippines tourism is coming up rapidly. Over 135,000 visitors come and give to the country $60 million in foreign exchange. Manila, the capital, has 2,000 first class hotel rooms. The government gives incentives and tax holidays to the hotel industry.

The star attraction in the region this year is Expo'70 at Suita City, near Osaka. Over 40 million have seen it already. I can only describe it as a marvel of human and computerized ingenuity. Spread over an area of nearly 1,000 acres—the Japanese government spent Rs 1200 crores on developing it—there are some 170 mammoth pavilions, a colossal amusement park, 75 shops, 65 restaurants serving food of different nations. Though there is no ground rented for the government pavilions belonging to different countries, the latter have spent lavishly on their own. The USSR has spent Rs 150 crores.

It is an extravaganza of colour and light in which one can spend days of admiration and astonishment, of enjoyment and enlightenment. We can see ourselves right from the monkeys that we were to the man that we have become—without however leaving the monkey-tricks behind!

Of the pavilions, 65 belong to different countries, 65 to Japan herself, in which are represented its government and its industries. But, admirably, none of its industries has projected itself but contributed only to the dream of the exhibition, namely, the theme "Harmony of Mankind".



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FROM THE PRESS GALLERY

Fourth Plan Assailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

TWO IMPORTANT discussions took place in Parliament this week—one in the Rajya Sabha and the other in the Lok Sabha. The Rajya Sabha debate concerned the revised fourth Plan. The discussion in the Lok Sabha was on the "deplorable" condition of scheduled castes and tribes.

As could be expected, the revised fourth Plan came in for sharp criticism for its failure to hold the price line and to check the growing unemployment. It was also alleged that contrary to the previous practice, the opposition parties had not been adequately consulted while revising the Plan. The slow progress of the implementation of land reforms was assailed. There was, however, a sharp difference of opinion on the launching of the recent land grab movement in various states; while the leftist members as well as some Congress (R) members tried to justify this movement, many others took serious objection to it. The latter were of the view that the land grab movement was not only unconstitutional but also had led to accentuation of the deterioration in the law and order situation in the country.

Priorities Criticised

The priorities fixed in the Plan were scathingly criticised. While some members expressed concern at exports not picking up adequately, several others regretted that agricultural development was not being fostered commensurably. The recently revised industrial licensing policy was criticised vehemently. While the leftist members alleged that it would result in further growth of monopoly, the rightist members contended that it will stultify the growth of the economy. Some members complained that there was no well thought out wage policy in the country. Several others demanded increase in the allocations for education, social services etc. A Swatantra member quipped that the recent preface, added to the Plan by the Prime Minister, Mrs Indira Gandhi—several months after the actual publication of the document—was perhaps good public relations; it, however, did not go any far to discuss the basic problems facing the country.

Defending the Plan, the Prime Minister repeated mostly what she has been saying in the recent past. She conceded that it was not a grandiose Plan, but asserted that it did promise growth with stability. Mrs Gandhi chided the critics for not producing any alternative plan and just remaining content with criticising what had been produced by the Planning Commission.

Helping Production

Referring to the criticism of the industrial licensing policy, the Prime Minister emphasised that it not only aimed at curbing monopolistic tendencies in the economy but also sought to help production. That is why, she said, the large industrial houses were proposed to be considered for licensing to start new ventures in the core, the heavy investment and the export-oriented sectors. This policy, as also the Plan, the Prime Minister further stated, took into consideration the need for fostering industrial development of backward areas and reducing unemployment.

Talking about agricultural development, the Prime Minister assured the House that topmost priority would be accorded to the implementation of agrarian programmes. The development of agriculture, in fact, was the kingpin of the fourth Plan. If production in this sector went up, the overall objectives of the Plan could be achieved easily. She cited in this connection the large allocations that had been made in the Plan for irrigation, fertilizers, seeds, pumping sets, etc.

Mrs Gandhi condemned the land grab movement and opined that it was based on "hatred, envy and promotion of acquisitive spirit". She also severely condemned the activities of Naxalites who were earlier identified officially in the House in another connection as comprising such groups as the Revolutionary Communist Committee of Mr Nagi Reddy in Andhra Pradesh, the Communist Revolutionary Committee, the Workers Revolutionary Party and Mr Kunnikal Narayanan's group in Mysore and Kerala, and groups of people in West Bengal and elsewhere who believed in terrorising individuals. Mrs Gandhi reaffirmed the government's resolve for speedy land reforms through constitutional and democratic means and pointed out that a time-table had been drawn up in this regard for the states to act on it. The Prime Minister also took pains to deny that the government was complacent on the price front. All this, however, left most of the critics unsatisfied. They pressed their amendments to the official resolution seeking the support of the House for the Plan. All the amendments, of course, were defeated.

During the Lok Sabha debate on the annual reports of the Commissioner for Scheduled Castes and Tribes and the report of the Elaya Perumal Committee on Untouchability, widespread concern was expressed by all the sections of the house over the lot of "Harijans". It was alleged that even after 23 years of independence, the condition of scheduled castes and tribes and similar other backward sections of society had not improved. Untouchability was still practised in several parts of the country. The landless had yet to be provided land. These people were also not receiving adequate representation in services and not much was being done for their education.

With a view to improving the lot of these downtrodden people, various measures were suggested. These included: (*i*) increasing the number of scholarships for students of these castes and tribes, (*ii*) distribution of not only government land but also other land among these people by bringing down the ceiling of landed property, (*iii*) encouraging of inter-caste marriages; (*iv*) providing of proportional representation in not only civil services but also in the defence services, (*v*) abolition of hereditary priesthoods; (*vi*) grant of financial assistance free or on especially concessional rates to those among the scheduled castes and tribes who could be trained for setting up small industries and for the purchase of agricultural implements, bullocks, etc., for those who were engaged in agriculture.

Sharp Criticism

The rise in the prices of several commonly used drugs in the wake of the new pricing formula announced by the government last month, evoked sharp criticism not only from the opposition members but also from several members belonging to the ruling party. Some opposition members alleged that there seemed to be a deal between the government and the drug producers. This of course was strongly repudiated by the Minister for Petroleum, Chemicals, Mines and Metals, Dr Triguna Sen. Many an opposition member felt that drug manufacturers had made full use of the loopholes in the Drugs (Price and Control) Order. An SSP member in the Rajya Sabha, Mr Raj Narain, even sought to move on this issue an off-the-cuff censure motion against the government.

Explaining the position, Dr Triguna Sen conceded that some increases in the prices of certain drugs were inevitable in the new scheme as it primarily aimed not only at reducing prices but also at rationalising the price structure of the industry. He, however, regretted that much ado had been made about the prices which had gone up. The other side of the picture, i.e. the case of drugs whose prices had been reduced substantially, he complained, had not been brought out. Of the 2,550 drugs produced by the members of the Organisation of Pharmaceuticals Producers of India (OPPI), who turned out between them 70 and 80 per cent of the entire output of drugs and medicines in the country, he said, the prices of 1,102 products had been reduced, while those of another 1,024 products had been kept intact. The increase in prices, Dr Sen pointed out, had been only in the case of 424 products—nearly 16 per cent of the total production of the OPPI members.

Substantial Gain

The products whose prices had been brought down, Dr Sen stated, included antibiotics, anti-diabetic drugs, drugs used for heart ailments, steroid and anti-anaemic preparations and anti-amoebic drugs. The prices of the large number of drugs used in hospitals had remained stationary. "This itself", he stressed, "is a substantial gain for the community".

Dr Sen, of course, expressed the concern of the government over the rise in the prices of such drugs as conventional anti-TB drugs, vitamin preparations, pain relieving drugs and other commonly used household remedies. This he, frankly admitted, had not been anticipated. He assured the members that the government had wide powers under the control order to take action to correct these anomalies. The government, he added, was also taking further powers to fix the prices of any formulation or class of formulations, notwithstanding the formula laid down in the control order, at a reasonable level if on scrutiny of the price list provided by the manufacturers, it was found that the revised prices were too high. The government, he declared, "will not hesitate to exercise these powers to the fullest extent possible, though certainly with discretion and in overall public interest".

The reference by the minister to the impact of import substitution on the prices of drugs should, however, indicate that the government is not averse to increase in the prices of some drugs. "This", according to Dr Sen, "is the price the country has to pay if we are to achieve self-sufficiency in the production of basic items". He hoped that the nation would not grudge paying this price in the initial stages in the interest of self-reliance and saving foreign exchange.

Dr Sen stoutly defended the policy of channelling the imports of bulk drugs and pooling of their prices. This policy, he emphasised, had the advantage of making those bulk drugs available at a uniform price to all formulators and securing equitable distribution among them.

The crisis faced by the mining industry as a result of the shortage of explosives, owing to the strike in the Gombia factory—the only explosives manufacturing concern in the country—also figured prominently in the deliberations of the two Houses this week. Widespread concern was expressed over this growing crisis both from the opposition and the treasury benches. Even the Minister, Dr Triguna Sen, shared this concern fully. Calling upon labour leaders to help in ending this strike, he feared that if it continued, not only the operations in the mining industry would come to a standstill but also the entire economy would be seriously imperilled. Dr Sen revealed that as a measure to ward of the above danger the entire stock of 1,375 tonnes of explosives had been taken out of the strike-hit factory for distribution to collieries. Besides, arrangements were being made to import explosives to build a buffer stock for six months. As a long-term solution to the problem, he said, the Planning Commission had been approached to look into the possibilities of setting up an explosives factory in the public sector during the fourth Plan period. The second private factory to make explosives at Hyderabad, Dr Sen further disclosed, was expected to go on stream in December this year.

Discriminatory Treatment

In a statement made in the Lok Sabha, the Minister of State for Foreign Trade, Mr L. N. Mishra, disclosed that it had not been possible as yet for India and Nepal to agree on procedures for consultation and co-operation to "bring about the export aspiration of Nepal without affecting Indian trade". India, Mr Mishra added, had no difficulties with Nepal adopting fiscal policies to meet its requirements; "our concern is over the discrimination against our products and with the damage caused to our economic policies and interests." Mr Mishra assured the House that it would be the effort of India to agree to a mutually acceptable arrangement which, while maximising the export of goods of Nepalese origin, would safeguard Indian interests.

The Minister of State for Finance, Mr V. C. Shukla, tabled in the Lok Sabha on August 11 supplementary demands for grants for the current year's expenditure of the central government, excluding the railways, involving an additional expenditure of Rs 215.57 crores. Of this, Rs 13.74 crores are on revenue account, Rs 194.51 crores on capital account and Rs 7.32 crores for disbursement of loans and advances. The main items of additional expenditure on revenue account are Rs 8.20 crores for payment of subsidy for meeting the anticipated loss on export of sugar during the current year, three crores of rupees for providing relief measures for new migrant families from East Pakistan, one crore of rupees for payment of customs duty and incidental charges on imports of skimmed milk powder and butter oil donated by the World Food Programme and Rs 93 lakhs for recoupment of advance obtained from the Contigency Fund of India last year for the restoration of extensive damages caused to the national highways.

Subscription to IMF

The increases in expenditure on capital account are mainly Rs 150 crores for payment of increased subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development, Rs 43.67 crores for payment of compensation to the 14 banking companies whose undertakings were acquired with effect from July 19, 1969, and Rs 50 lakhs for investment in the newly set up Cotton Corporation of India. The additional provision under loans and advances is on account of Rs 3.50 crores to Calcutta Port Commissioners, Rs 2.22 crores to the dock labour boards in Bombay, Calcutta, Cochin, Kandla, Madras and Visakhapatnam, Rs 80 lakhs to the National Co-operative Development Corporation and Rs 40 lakhs each to the Tannery and Footwear Corporation of India and the Indian Dairy Corporation Ltd.

Of the total additional requirement of Rs 215.57 crores, Rs 94.15 lakhs are for recoupment of advances drawn from the Contingency Fund of India in the previous year and the balance will be set off to the extent of Rs 178.51 crores on account of receipts, recoveries, etc., relatable to supplementary demands. The net cash outgo in the current year arising out of these supplementary demands would, thus, amount to Rs 36.12 crores only.

The Minister of State for Revenue and Expenditure told the Rajya Sabha on August 12 that the government was taking steps to "professionalise" the management of public undertakings. At present, only 16 out of the 92 chief executives' posts in the public enterprises, he disclosed, were held by ICS/IAS officers. In all, there were about 43 civil servants in the public sector undertakings (four ICS, 25 IAS and the rest belonging to the Railways, Audits and Accounts and other services).

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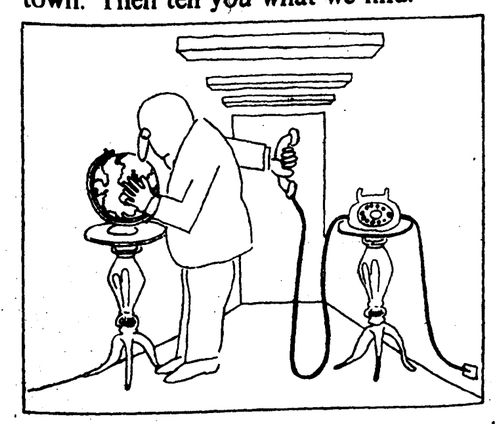

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I
MEANING OF THE ELECTION

LONDON :

IF WE are to understand the Tory revolution that the next five years will see, we must glance back at Labour's last days.

On May 18, Mr Wilson announced the general election for June 18. Why did he choose to hold it 10 months before it legally need have been?

Despite Mr Wilson's fantastic claim on May 18 that he had fixed the date four years previously, most observers agree that the first reason for the snap June election was that, following the continuous wage inflation due to Mr Wilson's (lack of) policies, the public opinion polls had moved spectacularly away from the Tory lead, which they had been announcing for over a year, and had swung heavily in favour of Labour. Secondly, although the overseas trade position had moved into substantial surplus, the economic uncertainties of the immediate future were such that if electoral advantage were to be extracted from the trade surplus, the election could not be postponed until the autumn.

Unpopular Measures

The cost of living was rising steeply, and economic commentators were predicting that continuing inflation would soon give prices a further sharp twist and lead to a recurrance of economic difficulties which might require unpopular measures, not excluding a wage freeze (as even Mr Callaghan suggested). Mr Woodrow Wyatt, Labour ex-MP, had on May 30 let the cat out of the bag when he said that, without a compulsory prices and incomes policy within a year "the present wages and prices explosion will wipe out our economic prosperity and we will be in the soup again."

At the election it was left to Mr Heath to expose the underlying weaknesses of the economy. Mr Wilson fought a lullaby campaign. Mesmerised by his popularity in the opinion polls, which forecast that he would have an easy victory, he behaved as if he had won the election, made few serious speeches and during his walkabouts in the sunshine produced a daily witticism at Mr Heath's expense. No party leader had ever before fought so trivial, smug and complacent a general election campaign. On the basis of the improvement in the balance of payments (brought about by high unemployment, heavy new taxation and unplanned devaluation) and ignoring the vast new foreign debts that his government had incurred, which still remained to be repaid, Mr Wilson maintained that under him Britain had become one of the strongest economies in the world. He ridiculed Mr Heath's warnings.

Crucial Advantage Lacking

Mr Wilson was modelling himself on Harold Macmillan, who had taken the view that a Prime Minister should not build up his opponent by treating him as an equal contender. Harold Wilson presented himself as the responsible man in office, who knew the ropes and was above the battle. Yet he not only played the part of nature's prime minister less convincingly, he lacked one crucial advantage that Harold Macmillan had enjoyed: a record of success. Harold Wilson's record included low growth; spiralling prices; high and rising taxes; forced unplanned devaluation; the lowest total of houses built by any postwar government; defeat by Rhodesia's Ian Smith; ridicule over Anguilla; a long campaign of bluster towards the trade unions' exploitation of their labour monopoly which the unions had countered successfully by threats of revolt against the Labour movement — threats which so alarmed the party that Mr Wilson, and his aide Mrs Barbara Castle, were forced into a surrender, as total as it was ignominious. In an attempt to save his face (which took no one in, least of all the socialist *New Statesman*, which openly laughed it to scorn), Mr Wilson pretended that his withdrawal of all proposals to discipline the unions was the "solution" of the government's relations with them towards which he had been working all the time ! "Effrontery" is a word that has become part of the common coin of political debate, but in this instance it seems the justifiably inescapable epithet.

Since up to the last moment all commentators predicted a Labour victory, all have been trying to find reasons for the Tory success. Mostly, they referred to the eve of poll revelation of the UK's poor trade figures and Mr Heath's warning of economic difficulties ahead, explaining that if economic clouds were looming up, the electors evidently felt safer with the Tories than with the socialists. This is possible, but it also seems probable that Mr Wilson's complacency, music hall flippancy, daily jokes and refusal to discuss serious issues, added to their distrust. By contrast, Edward Heath's avoidance of bonhomous back-slapping, baby-kissing, and other obvious vote-catching routines, his persistance in ventilating serious problems, such as the UK's relations with the EEC, the need to bring the trade unions within the law of the land, the need for parents to be able to choose the kind of education that they preferred for their children, the need to reduce taxation, to increase incentives to work, to save and to invest — all increased confidence in Mr Heath.

The instantaneous back-fire of Mr Wilson's retorts to hecklers and egg throwers aroused suspicions in the press that the hecklers' slogans had been scripted, and the eggs bought, by Mr Wilson's public relations advisers. One of Mr Wilson's widely reported jokes was in reply to what many correspondents suspected as a "planted" question: "Is an election really necessary when the result in such a foregone conclusion?" Mr Wilson quipped: "I'm anxious that people who placed bets on a June election should win them." The mass audience roared with laughter, but the subsequent results suggested that, on reflection, they did not like the serious matter of a national electoral consultation treated in terms of music-hall repartee.

"Our Harold"

Harold Wilson pulled out all the stops in his folksy "meet the people" tour but it soon became clear that the people "met" had been handpicked to provide the local newspapers, photographers, and televison men with ready-made human interest, e.g. in the West Riding, Mr Wilson featured himself as "our Harold" the local boy who had made good, with anecdotes of his childhood, and triumphant reminders that he was a genuine "local" because he knew (as no outsider could) that Slaithwaite is pronounced "Slowitt". In Norfolk, "our Harold" appeared as the devoted husband, revealing that his wife, Mary "had been born down the road", and so on. The reporters and the TV men loved it and contrasted Edward Heath's failure to oblige the photographers by plunging into friendly crowds to shake hands all round, to cries of "Good old Ted!" They contrasted his shyness and tenseness before the TV cameras with Harold Wilson oozing bonhomie, ribbing the TV men, and remembering the reporters' Christian names. But however delighted the reporters and photographers were by this mass-production of packaged news stories, the electors, evidently considering that an election is not about jokes but about the future of the country, preferred to vote into office the man who took serious things seriously, raising one issue after another to put them squarely to the country. As he said over the air: "I believe in telling the British people about the serious things which concern them".

II
PLANS TO TRANSFORM BRITAIN

Two months after the election vast numbers of the British still look at political and economic events as though the Labour party had been returned to power.

In fact, 1970 is likely to prove as historic a watershed in British affairs as was 1945, the year in which Attlee's first postwar Labour government took office. If Edward Heath's government succeeds, it will produce greater changes in the way the UK is run than any government since Atlee. Yet the average Briton, judging by what one reads in most papers, seems to have no idea that any thing but the "post-1945 consensus" policies are going to be continued.

Postwar Britain is Attlee's Britain. He initiated the non-selective, "all-in", non-discriminatory, welfare state; the continuation in peace of taxation on war-time scales; the cold-shoulder to the leadership of Europe which, in 1945, was the UK's for the asking; the decision to withdraw from empire; the character of nuclear and NATO strategy; nationalisation; the privileged position of the unions outside the law — all these Attlee initiated in the Labour party's 1945 election manifesto, and subsequent Tory governments, with comparatively minor, if significant, modifications of emphasis, took it for granted that the electors wanted the broad lines and the social climate of Attlee's Britain maintained.

In 1964, Harold Wilson seemed to offer a radical re-appraisal of postwar Britain, but once in office, his policies turned out to be largely a continuation of Tory "consensus" or "Butskell" policies, plus restoration of bits and pieces which had, over the years, got lopped off the Attlee state. Whereas Major Clement Attlee's 1945 government left its clear and decisive mark on almost every aspect of British life, Harold Wilson's government has sunk beneath the waves leaving the landscape largely the same: his decision to withdraw from Suez was, for example, only a natural follow-up to Attlee's decision to withdraw from India.

As the (independent) *Times* has pointed out, this is natural enough: Attlee's failures could best be cirticised from the right. Everyone wants the welfare state, but they don't want the low standards and high costs which flow from enforcing welfarism indiscriminately, with the emphasis on quantity and equality rather than on quality and real but unequal needs. Progressive taxes are fair, but the complex taxes, which have been piled up higgledy-piggledy, are confiscatory, inefficient, and disincentive. Withdrawal from empire made sense in 1945, but the *simultaneous* withdrawal from India *and* rejection of positive political co-operation in Europe was incredibly short-sighted — not only the UK's foreign relations, but those of Europe and of the whole world have suffered. NATO was, and is, all right, but with the UK outside the EEC, NATO has led 20 years later to the over-dependence of the European powers on the USA.

Conservative Defender

Although in the end, the Labour government was converted to British entry into the EEC, the Labour party had inevitably become the conservative defenders of the 1945 settlement, just as the Whigs after 1714 became the conservative defenders of the Hanoverian settlements. So the UK has lived through the 1945 settlement, the Tory consensus from 1951 to 1964, and its refurbishing and dusting up between 1964-70 to meet the totally different circumstances created by 19 years experience of it. And now, for the first time, a British government is about to attempt to remedy the stresses and strains, and to seal the fissures and cracks which, with the march of time, have inevitably overtaken the 1945 settlement.

The most obvious defects are (1) that the UK has performed economically worse since 1945 than any other major industrial country and (2) that, having lost an empire, she has not found an international role.

Edward Heath's election speeches showed that he thinks that the government should cease to play variations on worn-out policies originally devised to meet problems which have long been transformed.

Mr Heath has come to office in 1970 with new policies as clearly worked out as did major Attlee in 1945. He is going to reorganise and rationalise the administrative machinery of government, limit its functions and expenditure, reduce and rationalise taxes, disentangle welfarism from universal routine egalitarianism and relate it to genuine individual need, and tame the "overmighty feudal barons" of trade unionism, not by destroying them but by bringing them as much under the law as are the employers. If an employer cannot dismiss a worker without due process of law and observing approved regulations, why should a trade union, usually run by a minority of activists, be entitled either to prevent a worker from earning his living by blacklisting him or by bringing the entire factory in which he works to a stop without due process of law and without observing approved regulations? The Heath government will also negotiate entry into Europe — a Europe doubtless simultaneously enlarged by other entrants, such as Eire and Austria.

All this should be as clear in August, 1970, as the nationalisation of the railways was in August, 1945, but few seem as yet to realise that the Heath government programme will produce a new settlement in which most of the pre-1970 assumptions will become anachronisms. The whole caravan has moved on.

By 1974, or thereabouts, Mr Heath intends, God willing, to have produced a new political settlement and a new political alignment in which the Labour party will face a liberal settlement equally remote from Attlee's welfare Britain as from Sweden's social democracy. The Labour party will have to think out a radical critique of a society which it will have had no part in framing. And, sticking my neck out, I would say that Horold Wilson's style of instant political gimmickry will have been replaced by Roy Jenkins' style of reflective radical reaction.

III
THE IMMEDIATE FUTURE

Mr Heath is committed to creating a virtuous circle by a selection of cuts in public expenditure and by the stimulation of personal and corporate savings, designed to finance the decisive initial pump-priming cut in direct taxes. The new theory is that the cut in direct taxes will stimulate growth and savings, slow down inflation and strengthen the balance of payments. This is the opposite of Tory and Labour policies since 1945.

To get into a virtuous orbit, the cuts in expenditure and the stimulus to saving must be such as, taken with the cuts in direct taxes, neither add to net demand nor to cost pressures on prices. This is not easy but it is possible. Past experience has been that (1) cuts in direct personal taxes strongly affect final demand and do nothing to reduce costs or prices and (2) no tax incentive to savings has hitherto added more to the net total of personal saving (after allowing for switches) than it has subtracted from

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public savings. Unless tax incentives to savings add to the net total of personal saving without reducing public saving, the net effect on demand is not deflationary: it is inflationary.

The new government can, of course, create a climate in which total savings would rise, and lower taxes could, of course, evoke greater effort and enterprise, and this could offset the effect on demand of the tax cuts because what matters is the net effect on demand pressure (the balance of supply and demand). But for the Chancellor of the Exchequer, Mr Anthony Barber, to count in advance on much from higher savings and on keener incentives to maintain a proper balance between supply and demand would be as foolhardy as was the blind reliance of the socialist government on the National Plan to yield growth fast enough to pay for their schemes for increased public expenditure.

Reduction in Expenditure

This is why Peter Jay, the Economics editor of the (London) *Times*, emphasises that the cuts in direct taxes must be financed by matching reductions in public expenditure and those reductions must not be such as merely add to price pressures by shifting the burden of finance on to industry and consumers. The public expenditure on which the savings are made must therefore be either direct government expenditure on goods and services (for example, ships and school teachers) or cash transfers which enter directly into people's incomes. To cut income tax and reduce net expenditure by increasing charges (for example for the national health services) does not pass the second part of the double test that there must be no net effect on total demand and that there must be no net effect on prices.

By the same token, to cut income tax and save expenditure by stopping capital transfers (for example on nationalising the docks) does not pass the first part of the test, because capital transfers do not affect demand unless the money supply is increased to finance the stock issued in compensation.

What is relevant in these and other possible examples is not whether these measures should or should not be carried out, but whether any credit for them can be taken as offsets to lower direct taxes. Once more stable conditions have been achieved — as, with or without new measures, they probably will under Mr Heath's policies — then the advantages of switching from direct to indirect taxes at some transitional cost to prices will be obvious.

Anthony Barber and Edward Heath are alive to these arguments and since, unlike Harold Wilson when he acceded to office in 1964, Edward Heath has not proclaimed "one Hundred Days of Action", but has, on the contrary, gone out of his way to insist that he believes in action after reflection, it is unlikely that any spectacular moves in economic policy will be announced before the 1971 budget. Mr Heath has, in fact, emphasised that Tory tax reforms are not matters for a single budget but for five years of development. By dint of selective quotation, Labour spokesmen, still under the illusion that they are living in Attlee's welfare state, have been suggesting that Mr Heath undertook both to cut direct taxes and to abolish the (financially useful but economically pernicious) Selective Employment Tax in the first budget. In fact, Mr Heath has repeatedly said that the Tory programme could not be accomplished overnight in one budget but would be the work of one parliament. The first Tory budget will mark the change of direction — into the Tory way ahead.

The Success Story of GDR

E. B. BROOK

VIENNA:

THE GERMAN Democratic Republic, which now enjoys full diplomatic relations with Ceylon and consular relations with India, has for some 15 years been a success story and a show window for communist east Europe. Not without some justice is the claim made that it was the GDR rather than the German Federal Republic that achieved a postwar "economic miracle"; more precisely, the German genius for work and precision and not a little aggressiveness served both parts of the divided German lands very well. Nevertheless, the German Democratic Republic remains, politically, an alien Teutonic buffer in an east European complex helping to protect and support a Slav communist world.

Artificial Division

The quarter century since the division of Germany begins to obscure some European realities. These are that, while German political unity was finally achieved under Bismark a century or so ago, German peoples have inhabited and expanded in central Europe since early Roman times. The defeat of 1945 projected the present pattern of Europe. The difficulties confronting some mutual, formal recognition between the two German states that resulted stem also from the split which, however necessary, ran contrary to historical development. The division has had, for that reason, to be artificially supported by mined and armed barbed-wire frontiers, a wall dividing Berlin and a large-scale garrisoning of Soviet troops within the GDR.

Within that protection the German Democratic Republic has developed to an extent that has drawn unwilling admiration and increasing world recognition and mercantile relations. Mercantile and fishing fleets has been built up, a petrochemical industry developed now acknowledged to be one of the world's best and a steel industry built, like the others, from nothing. When the GDR came into being what few industries had existed in a predominantly agricultural area had been destroyed and almost the sole industrial asset was brown coal mining. To achieve this growth, to rebuild and expand while staging one of the world's leading trade fairs twice a year at Leipzig the people of the GDR have had to work long and consistently with often inadequate domestic supplies and, until 1962, a dwindling work force. The proportion of women workers and of elderly people still working (as in the USSR) in the German Democratic Republic is high.

But the people of the republic, irrespective of their personal political opinions, have developed a justifiable pride in their efforts and achievements, are proud of the essential German characteristics they have maintained, while they regard the Federal Republic of Germany as having been softened by easier living conditions and as having approximated to American values. They have come to admire the sheer obduracy of the east German leaders in face of western hostilities and of the heavy demands made on them by east Europe, and especially by the Soviet Union.

No Hardliner

There are misconceptions about the German Democratic Republic's leadership. Despite his ruthlessness with any personal challenge within his Socialist Unity party the 77-years old Walter Ulbricht is not so relentlessly a hardliner as he is often depicted in the western press. In general, Ulbricht adopts a fairly flexible "centrist" position in party affairs, thereby keeping control of such ultra-communists as Albert Norden, Paul Verner and Hermann Axen. He is able to support his presumed successor, Ernst Honecker, often his deputy and leader of a group placing political stability above requirements to modernize techniques and

policy. Supporting Ulbricht are the Premier, Willi Stoph (a most adept politician intensely trained in the war years in the USSR), Sindermann and Hager with younger men such as Gunther Mittag and Werner Jarowinsky who would lead the party to an overhaul of Marxist theory to meet contemporary circumstances and, above all, modernize all administration and industrial methods even at the expense of the party's political solidity.

It is against this historical, human and political background that the Socialist Unity party of the GDR has evolved successful modern industries, a mercantile marine now among the first 10 in world commerce, fisheries in almost all seas and, despite a succession of collectivisations, a fairly successful agriculture that must always face the rigours of a very chilly climate.

Foreign Contacts

The success that has attended the GDR's industrial efforts is being rewarded with increasingly co-operative foreign contacts. The British, who deal with the GDR only through the Confederation of British Industries and not at government level but who have recently signed a three-year trading agreement with Potsdam, are now extending their credit covers for British companies selling to East Germany. Trade, under this impact, is expected soon to reach a volume of £100 million annually. Common Market countries have already extended this credit period from five to eight years and Japan, ever with an eye for an expanding market, is increasing its trade representation in East Germany.

Three-fifths of East German trade continues to be within the Comecon area of east Europe; the quality of its manufactures is so highly prized by the Soviet Union that the volume of credit East Germany has to extend to the USSR for its purchases is a major check to its own growth. The generous development aid East Germany has been required to extend to Iraq and Libya, also, is a brake on its own development and an unusually hard winter last year has helped still further to slow the rate of growth.

Although industrial output in the first quarter of 1970 was four per cent higher than in the same period last year the volume represented a considerable shortfall compared to the planned increase and was a serious disappointment to the party leadership. The burdens mentioned are not the only causes of this unsatisfactory performance, of doing so much less well than was thought possible; the party admits that the best use is still not being made of all advantages available. Steel output was among the areas in arrears but the worst area of disappointments is the building and construction undertakings where even labour performance is much inferior to what had been expected of it.

The younger men in the party, all of them highly qualified technicians, are far more dynamic and less rigid in outlook than the older men whose younger years saw the end of Imperial Germany, of the Weimar Republic and the growth of Nazism. These older men, with hard painful personal histories, put party solidarity before all else; the younger men are intolerant of incompetence and waste but less rigid in party dogma.

Because of this attitude of the capaable younger men (all of them in their 40s) the party leadership can scarcely fail to undergo a transition in this decade; a relaxation in relations with the Federal Republic would give the process much impetus. East Germany is growing steadily stronger economically, more sure of itself politically, more proud of itself in world affairs. The newer leadership that is just beginning to emerge will not tolerate the type of indifference that all too often spoils achievements in east Europe but will seek to exploit to the full the economic opportunities they see provided in a socialism fully brought up to date. Nor will they have any patience with party members' self-satisfaction or with any outmoded attitudes. Integration of scientific technical work in production processes comes more prominently in their thinking than does the complete conformity of a people with a conservative and unrevised interpretation of the thoughts of Marx, Engels or Lenin.

Romania Looks Out

ENG. NICOLAE NICOLAE
Deputy Minister of Foreign Trade of Romania

Romania will celebrate its national day on August 23.

THE DYNAMISM of Romania's economy, increased technical capacity of its industry and the high rate of industrial growth have created propitious conditions for Romania's active participation in world trade and the multilateral development of her international economic collaboration. Promoting normal economic relations with all states on the principles of equal rights, respect for national independence and sovereignty, non-interference in internal affairs and mutual advantage, Romania has steadily developed trade with partners in many countries.

Today Romania has economic relations with 110 countries on all continents as against 29 only in 1950. Typical of Romanian foreign trade is the high rate of its growth brought about by the improved quality and pattern of its export goods, and by the diversification of commodity markets both as regards the sale and purchase of goods. Between 1965 and 1969 alone, the annual average rate of growth witnessed by Romania's foreign trade was of 12.5 per cent. Statistical data show that in the last 20 years Romania's foreign trade expanded at a higher rate than world trade as a whole.

More than half of the total volume of Romania's foreign trade is held by its partners in the socialist countries. In 1969, the share of the socialist countries was as high as 55 per cent.

Consistently promoting mutually advantageous economic relations with all states, regardless of their social system, without any political conditions, restrictions or discriminations, Romania expanded its economic collaborations also with many developed non-socialist countries such as Australia, Belgium, Britain, Denmark, France, the Federal Republic of Germany, Holland, Italy and Sweden. With all these countries, Romania has concluded long-term trade agreements to secure stability in exchange of goods and services. As a result of these agreements, Romania's trade with western countries has witnessed a rising trend. Compared to 1960, the volume of Romania's trade with these countries was more than four times in 1969. The growth of Romania's trade with the developed non-socialist countries is illustrated by the high rates reached by trade with each of them. At the end of last year, the following increases were recorded as against 1965 in bilateral exchanges: with Austria — more than 65 per cent; with Belgium—some 5.5 times; with Britain — more than twofold; with Denmark — 2.7 times; with France — over threefold; with the Federal Republic of Germany — more than 67 per cent; with Holland — 3.8 times; with Italy — over 67 per cent; with Sweden — 2.5 times; with Switzerland — more than threefold; with the USA — over 2.6 times.

The evolution of trade between Romania and these countries was accompanied by a continuous change in the pattern of both exported and imported goods, in compliance with the growing complex requirements of Romania's

economy and with its increased export possibilities both with regard to volume and variety of products.

Romania imports from the above-mentioned countries complex and high-standard industrial plants which, together with Romanian-made plant, are used for equipping new industrial projects or for enlarging and modernizing the old units.

Romania sells to these countries various kinds of goods; chemicals — aromatic hydrocrabons, dyestuffs, chlorosodic products, medical drugs and pharmaceutical products, solvent phenol, insect killers and fungicides, chemical fertilizers, carbon black, synthetic rubber, oil products; finished and semi-finished wood products, furniture, chipboard and fibreboard, parquetry, plywood, veneer, resinous and deciduous timber; building materials—cement, window-glass, marble, plastics, as well as a rich range of consumer goods and foodstuffs. At the same time the continuous growth of Romania's industry made it possible to add to the export list products of the metallurgical industry, especially ferrous metal rolled goods and tubes, as well as a number of machines and equipment, including tractors, metal-cutting machine-tools, motor vehicles, electric motors, power transformers and other products of the electrical engineering and electronics industry, building equipment, bearings etc. Bearing in mind the progress recorded in industrialisation, Romania tries to increase the export of manufactured goods to the western countries. The growth of such exports, the most dynamic element of world trade, would be of a nature to facilitate the development of Romania's exports as a whole and, implicitly, mutual exchanges.

An examination of the exchanges shows at the same time that Romania's trade balance with some non-socialist countries is unfavourable, and this puts a brake on the future development of mutual exchanges. Under such circumstances, the increase of Romanian exports, especially of manufactured goods, would be a source of further expanding trade with these countries, and Romania does make great efforts in this direction.

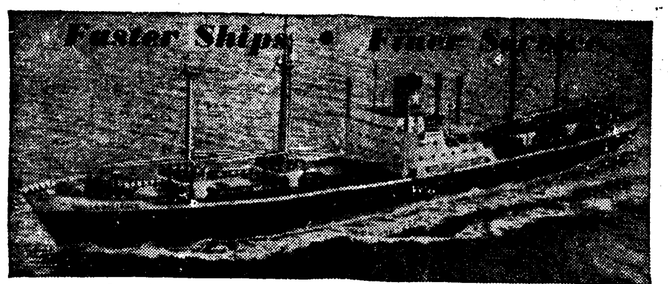
Co-operation in Production

Co-operation in production is promoted by Romania with developed non-socialist countries. At present, Romania co-operates with the British BAC and Britten-Norman firms for the building of Islander airplanes, and with the Taylor Woodrow firm in the field of irrigation. Co-operation with the French firm, Renault, resulted in the production of Dacia 1,100 and Dacia 1,300 motor cars. Concomitantly, the technological line for the production of gear boxes for the French Estafette vans has been assimilated in Romania.

Other forms of bilateral industrial co-operation has been agreed upon with the Italian firm, Fiat, for the production of 40 HP tractors in different variants to be used in gardening, fruit-tree and wine-growing; with West German firms for the manufacture of installations for producing chipboards; with Swedish firms for the production of fibreboards.

By adopting the most elastic forms of co-operation, Romania has been encouraging joint ventures for meeting raw material necessities and the setting up of mixed companies of a productive nature or for trade. The collaborative companies organised and functioning upon principles of equal rights and mutual advantage contribute towards putting to good use natural resources and to meeting the partners' demands for certain products. Thus, Romania has set up jointly with Britain "Arcode"—a joint venture for chemicals; with France the collaborative ventures "Decofra" and "Sotecom" for chemicals, textiles, machine-tools and industrial plant; with the Federal Republic of Germany the "Contichemie" company for chemicals; with Italy the "Romital" and "Vitama" companies for chemicals and machine tools; with the Netherlands the "Petra" a company for plant and equipment to be used in the oil industry. These trade companies have fully proved their usefulness and contributed to the promotion of Romanian exports.

This year, the last of the current five-year Plan period, Romania's economy will record new successes in its development. It is estimated that industrial output will increase by 11.3 per cent over 1969, and higher growth rates will be achieved, particularly in the key branches, namely mining, electric power, chemistry, metallurgy and machine buildings. This year Romanian foreign trade will add to its achievements a growth of some 11.30 per cent. The provisions of the 1970 foreign trade plan will create favourable conditions for further expansion of Romania's trade with developed non-socialist countries.



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The moving finger writes

THE INDEPENDENCE Day reception at Rashtrapati Bhavan was, in a sense, a diamond-studded affair. The President's wife was profusely plastered with the white stone. It may be true, however, that the difference in this respect between Mrs Saraswati Giri and the more soberly dressed Mrs Indira Gandhi really is that while the President's wife is ostentatiously expensive, the Prime Minister is expensively austere. Meanwhile, the people are being daily reminded by the speeches and writings of men and women in high places of the latter's anguish and agony over the poverty and unemployment in the land.

* *

An enterprising reporter from *The Statesman* has attempted to give an earthy flavour to the political high jinks of the "Land Grab" agitation. According to him, the man who is employed to look after Mrs Indira Gandhi's farm in a rural neighbourhood of the capital believes that he has better title to it than the land-grabbers or even the legal owner of the land. The caretaker's argument is that he has been on this farm for the last 11 years and is, therefore, well-qualified to own it on the basis that "land must go to the tiller". Forty-year old Badri Prashad — for this is the name of the man who is looking after Mrs Gandhi's farm — seems to be quite outspoken. Mrs Gandhi and her sons, says Badri Prashad, are not farmers; they do not pay any attention to its maintenance. The tubewell has been out of order for the last two months and electricity is cut off periodically due to non-payment of bills. Naturally, then, the farm has not been yielding any profit, but is only making losses. It was bought by the late Feroze Gandhi about 11 years ago and is now producing little except some stray fruit or vegetable. Badri Prashad, it appears, is paid a monthly salary of Rs 80. Whether this is enough to help him maintain his family of a wife and three children or not, it cannot be said to be an unreasonable remuneration considering that the farm yields virtually nothing for its owner.

This story of the Prime Minister's non-venture into farming is, no doubt, amusing, but it has also its less sunny side. It is not wholly a piece of cheerful information that 23 bighas of land, which evidently could be made to yield some useful produce, if properly managed, have thus remained neglected over the years for no better reason except that its present owner and her sons "are not farmers". It seems to me that, in the din of all the talk about the land problem, we are tending to miss the really valid point that what hurts the community is not the size of individual holdings as the inadequate or inefficient utilisation of farms, big or small. Where a large farm is properly cultivated, it does benefit the community, irrespective of who or how many people may own it. This is particularly so where large farms are utilised for such nation-building purposes as research into improved farming techniques or the production of pedigree seeds. Surely it would serve the nation better were state governments to turn to investigating how well or ill large farms are managed in terms of national priorities than were the politicians and the people to dissipate their energies on land-grabbing and the like.

* *

Had I but served God with half the zeal as I served my king, etc., etc. It seems to me that the nation's industrial leaders could exclaim with equal justification that had they devoted half as much attention to public relations as to government relations it would be paying them far better today. It is, no doubt, true that, until about 1960, it was convenient for the great industrialists to be able to make friends with or influence ministers and bureaucrats so that their projects could cut through red tape or get through the maze of negative controls or other restrictionist regulations. After 1960, however, this pattern of managing matters was becoming more and more counter-productive. It was creating increasing scope for politically-motivated attacks on big business with the result that an atmosphere was steadily being engendered, in which ministers and officials were becoming more and more hesitant to do anything that would help industrialisation for fear of being criticised as pro-capitalist. Simultaneously, these developments were also rendering the big industrialists more and more vulnerable to pressures of all kinds exerted by politicians in power.

Big business would have been in a far better position to withstand these strains had it been wise enough to look after its public relations at least in the sixties. Had it adopted modern methods of communicating with the people, the latter would have had a better appreciation of the role played by the nation's business leaders in the expansion of investment, production and employment. Unfortunately, the business community generally and big business in particular had failed to project a true image of what the private sector or the men prominent in it have done to develop wealth and welfare for the nation. As a result, industrialists, who have done solid work for the good of the country in vital areas of the economy and who are still able and willing to continue to do so provided that political context permits it, are being too easily bullied by political upstarts or opportunistic politicians in power.

These reflections of mine have been occasioned by a report I saw in *The Hindustan Times* last week of a 45-minute television programme which the BBC devoted to portraying the role played by the Birla family in expanding and diversifying our country's industrial structure. The theme of the programme was that the members of this family under the leadership of Mr G.D. Birla regarded the expansion of their existing industries and the starting of new industries primarily as a duty they owed to a nation so sadly short of investment, production and employment. I cannot imagine All India Radio doing anything similar to project the achievements of this or any other leading business family in our country. But this need not necessarily come in the way of our business leaders making up for lost time in informing their countrymen of what native entrepreneurship has been doing all these 20 years or more for, while politicians have mainly been talking about, economic growth or welfare.

* *

From the controversy which is going on about Mr K. Hanumanthaiya's deprecatory references to the Mysore government, which he made while he was touring in that state, it is clear that the union Minister for Law has got the wrong end of the argument. The Chief Minister of Mysore is wholly justified in protesting against Mr Hanumanthaiya's reported remark that the present administration in that state is a corrupt one. As a politician belonging to a rival party, the Law Minister certainly has the right to debate the politics of the party in power in Mysore state, but holding the position he does in the central government, he cannot lightly indulge in accusations of corruption against the ministry in that state. The point need not be laboured and Mr Hanumanthaiya would only be doing justice to himself if he were to express regret for his improper statement.

V.B.

Trade Winds

SMALL CAR

THE UNION Minister for Industrial Development and Internal Trade, Mr Dinesh Singh, indicated recently that the government had decided in principle to establish a passenger car project in the public sector. The Ministry for Industrial Development would now initiate detailed studies on the most economic way of doing it and on means of financing the project. The project would be based on a proven foreign design. Discussions would be held with interested parties and the most suitable popular model would be selected.

The best possible terms of collaboration are proposed to be secured. Although the collaboration would be with a foreign company. the bulk of the machine tools required by the project are to be procured within the country. Maximum reliance is to be placed on the local ancillary industries. The central government and the connected public sector undertakings fully owned by it would hold the controlling interest of 51 per cent of the equity capital of the proposed project. The remaining 49 per cent may be raised by the offer of shares to the public at large and others.

Mr Dinesh Singh pointed out that the project would make 50,000 cars a year and fill the bulk of the gap existing between demand and supply. The demand estimated at 85,000 cars a year at the end of the fourth Plan, would go up further in the fifth Plan. The maximum production that could be achieved by the existing manufacturing units with their present facilities was less than 40,000 cars a year. The question of augmenting these facilities had been considered. It was felt that the existing companies would have to depend heavily on support from public financial institutions for expansion. "In the circumstances", Mr Dinesh Singh added, "it was felt that after taking all factors into account, it would be more adventageous to establish the factory in the public sector".

The minister further revealed that the government had received a number of proposals from private sector factories, some of whom claimed to be able to manufacture cars based on completely indigenous resources. With a view to encouraging the growth of indigenous talent and resources, the government has decided to issue Letters of Intent to such of the parties in the private sector as are prepared to take up the manufacture of cars based on completely indigenous designs and without requiring imports or allocation of foreign exchange.

ALLOCATION OF COTTON

The Indian Cotton Mills' Federation has intimated mills that the existing scheme of allocation of foreign cotton to mills on the basis of spindleage will be continued for the season 1970-71 subject to final approval of the government. Under the scheme, returns have been called for from mills for distribution of 450,000 bales of global cotton linked to 300,000 bales of PL. 480 cotton. The qualifying ratio for quotas will be at the rate of one bale of global cotton for 25,000 spindle shifts worked by a mill. The last date for submission of applications has been stipulated as August 25, 1970. Mills are required to submit their demands together with performance guarantees at the rate of Rs 200 per bale. Those mills, whose returns are not received by the date stipulated, will be deemed to have surrendered the whole of their share of foreign cotton.

FORWARD TRADING IN GUR

The union government has in consultation with the Forward Markets Commission applied section 15 of the Forward Contracts (Regulation) Act, 1952 to gur throughout the country, with effect from August 10, 1970. The provision of this section have also been applied to non-transferable specific delivery contracts in this commodity, which are regulated or controlled by an association. As a result of these notifications (a) every forward contract other than a non-transferable specific delivery contracts and (b) every non-transferable specific delivery contract regulated or controlled by an association, which may be entered into after the date of these notifications otherwise than between members of a recognised association or through or with any such member would be illegal. Forward contracts other than non-transferable specific delivery contracts which may have been already entered into and which may be remaining to be performed after the date of the notification, have been closed out at the rate prevailing at the time at which the forward market in gur closed on the date of the notification or if there was no trading on that date, the rate on the last preceding date of trading. Recognition under section 6 of the Act has been granted to (1) The Vijay Beopar Chamber Ltd, Muzzaffarnagar, (2) the Kaisurganj Beopar Company Ltd, Meerut, (3) The Chamber of Commerce, Hapur, (4) The Agra Merchants' Chamber Ltd, Agra, (5) The Ludhiana Grain Exchange Ltd, Ludhiana, (6) The Indian Exchange Ltd, Amritsar, (7) The Tijarti Chamber Sarrafan, Beawar and (8) The Shahupuri Forward Exchange Ltd, Kohlapur, for a period of three years. Recognition will also be granted to the Cenntal India Commercial Exchange Ltd, Gwalior, after the association carries out certain amendments in their constitution to the satisfaction of the Forward Markets Commission.

TEXTILES FOR WEST AFRICA

For the first time, the Indian cotton textiles have made a successful breakthrough in French West Africa. Orders worth over three crore rupees have been obtained and supplies are being made to textile firms in Senegal, Ivory Coast, Upper Volta and Cameroons. This breakthrough has been made after meeting tough competition from China, Formosa, South Korea, Japan and Pakistan.

INDO-CZECHOSLOVAK MEET

The second session of Indo-Czechoslovak Joint Economic Committee was held in Prague at officials level from August 5 to 10, 1970. The discussions indicated promising possibilities for further growth and diversification of trade exchanges between the two countries with a rising proportion of export of manufactured, engineering and finished goods from India to Czechoslovakia. In the field of joint co-operation in third countries, need for regular exchange of information was emphasised. Particular attention will be paid to export of products from Czechoslovak assisted projects in India. In the field of industrial co-operation it was decided to explore possibilities of collaboration in the core sector of economy covering tractors, fertilisers and petrochemical industry.

MACHINE TOOLS SEMINAR

A four-day pre-departure Orientation programme for a team of seven senior executives of machine tools industry, scheduled to visit Europe, America and south-east Asia on a sales-cum-market orientation tour was held at the Indian Institute of Foreign Trade recently. A number of organisations such as IIFT, USAID, Ministry of Foreign Trade, ITC and UNDP, are collaborating in the sales-cum-market orientation tour, which would enable Indian machine tools manufacturers and exporters to observe the standards, specifications and designs of machine tools abroad and to discuss collaborations,

investments and sales programmes with their counterparts in other countries. It would also enable them to establish business contacts which may be mutually beneficial.

CONFERENCE ON SHIPPING

The All-India Manufacturers' Organisation is organising an all-India level conference on "Problems and Prospects of Indian Shipping in the Seventies", on August 23, 1970, at the Taj Mahal Hotel, Bombay. Mr. K. Raghuramiah, union Minister for Parliamentary Affairs, Shipping and Transport, is expected to inaugurate it. The conference will discuss vital problems connected with shipping industries *vis-a-vis* the foreign trade of our country. This conference will pinpoint the role and development of shipping in relation to expansion of our foreign trade, development of ship-building, ship-owning and repairing and expansion and modernisation of ports. The following subjects have been selected for the three sessions of the conference: (1) Problems of ship-owning and ship-owners; (2) problems of shippers; and (3) port development, ship-building and reparing. Experts from all over India in ship-building, shipping lines, foreign trade, and export promotion as well as top government officials from the Ministries of Industrial Development and Foreign Trade will be participating in the conference.

INTEROCEAN CONGRESS

"Utilisation of the Sea's Food Reserves" is the first of six theses to be discussed by the Interocean Congress in November 1970. In three papers to be read, "Synopsis of the food potential of the world's seas", "Development trends in fish-harvesting techniques", and "Problems and possibilities of Aquaculture", a survey of the seas' and oceans' potential will be made culminating in a discussion of the results in research of this relatively untapped wealth. The results of ocean research, which recently have been given more priority and recognition, can contribute greatly to the intenser utilisation of the ocean's potential.

FRENCH ASSISTANCE

France has offered 152.7 million francs (Rs 26.6 crores) to India for purchase of French goods and services. This includes 27.7 million francs for debt relief. Announcing this, an official release stated that a financial protocol on the aid was signed in Paris by the Indian Ambassador, Mr Dwarkanath Chatterjee and the Deputy Director of the French Treasury Department, Mr Deguen, on August 4. The aid comprises treasury loan of 62.5 million francs (Rs 10.9 crores) repayable over 25 years with a grace period of five years bearing an interest of 3.5 per cent and an identical amount in bank credit repayable over 10 years.

BOAC's GUIDE

BOAC has just published a comprehensive 200-page guide to countries in the eastern hemisphere. This is a part of BOAC's worldwide effort to generate tourist traffic and a large section has been devoted to India. India is becoming a more and more important spot on the tourist world map and its inclusion in this guide, which is being distributed worldwide, is bound to contribute to its growing popularity. This travel guide has been produced to cater for the widely varied tastes and requirements of today's travelling public.

LUFTHANSA'S BIGGEST CARGO

Lufthansa German Airlines recently carried the biggest air cargo consignment ever flown on a commercial carrier out of New Delhi to Sweden. The shipment consists of 99 rolls of carpets weighing 9.9 tons. Being the only airline which operates a Boeing 707c all-cargo through New Delhi, such size shipments can presently only be carried by Lufthansa. After the inauguration of all-cargo service, Lufthansa recorded their cargo turnover ex-New Delhi to be almost doubled.

I.D.B.I. BRANCH

The Industrial Development Bank of India (IDBI) Bombay, which recently established its regional office in New Delhi, has opened a branch office at Chandigarh too. The branch office will function under the overall supervision of the New Delhi regional office of the IDBI.

FARM WEALTH TAX

The union government has considered the objections raised by some state governments but have not found sufficient justification for dropping the levy of wealth tax on agricultural lands, Mr Vidya Charan Shukla, Minister of Revenue and Expenditure informed the Rajya Sabha recently.

JAPAN's NATIONAL INCOME

Japan has ranked second to the US in its gross national product (GNP) among the non-communist nations. Its GNP for the year 1969 ending in March, for the first time reached the 62,720,600 yen-mark (about Rs 130,668 crores), the Economic Planning Agency announced in a preliminary report recently. In real terms the growth rate was 13 per cent maintaining the 13 per cent high level for the third consecutive year. The swift economic expansion was principally caused by extremely active private investments, centring on equipment and housing investments. Another factor was a fat external surplus for the second straight year.

R.B.I. DIRECTIVE WITHDRAWN

The Reserve Bank of India has withdrawn its directive to the 14 nationalised banks requiring them to seek prior approval of the bank in discharging important transactions. The Reserve Bank press note stated that the directive would not be operative now as the board of directors of these banks had been constituted. The banks have been advised that matters covered by the directive should be placed before the board of directors or a committee of the board.

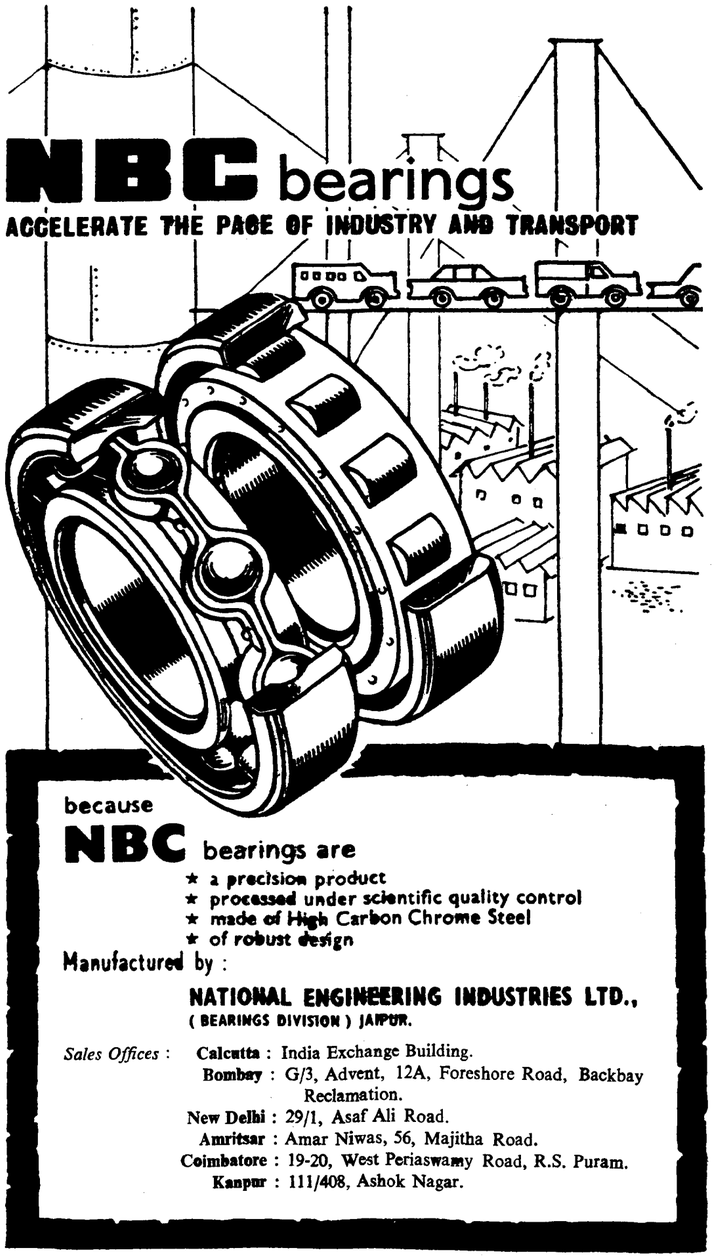
INCREASED PAPER PRODUCTION

A crash programme for increasing paper production in the country by setting up 30 second-hand reconditioned plants of 40 to 50 tonnes capacity which would increase production by 300,000 to 400,000 tonnes per annum has been suggested by the All-India Paper Mills Association in a memorandum to the Prime Minister. It has also suggested the setting up of two or three giant public sector units for the production of pulp in Assam, Kashmir, Madhya Pradesh and Kerala with a capacity of 500 tonnes per day to meet the pulp requirements of small units. It has been proposed that the paper plants be imported from the US where such plants are available at low prices. The total investment is estimated at Rs 36 crores for raising 400,000 tonnes additional capacity in the paper sector by small mills, while the investment by the public sector for pulp plants would be Rs 40 crores. The foreign exchange component would be Rs 7.5 crores for the paper plants and Rs 10 crores for the two pulp plants.

If this proposal is accepted the association proposes to set up a joint sector corporation to implement the crash programme. It is proposed to earmark a part of the additional production for a limited period of one or two years for producing newsprint and make the same available to the newspaper industry till such time the country achieves self-sufficiency. This will ensure that by 1972-73 adequate newsprint will be made available to the newspaper industry and thus save considerable foreign exchange.

NAMES IN THE NEWS

Mr S.N. Bhat, a senior official of the Railway Accounts Service, and until recently Financial Adviser of Oil India Ltd, in the office of the managing director, New Delhi, has now been appointed as Financial Controller with his headquarters at Duliajan. He has taken over charge of his office at Duliajan, from Mr M.P. Abel, who has retired.



Company Affairs

INDIA TOBACCO COMPANY

THE INDIA Tobacco Co Ltd held its first annual general meeting under its new name and in that sense the year 1970 has been a landmark in its history, stated Mr A. N. Haksar, chairman of the company, while addressing the annual general meeting. Highlighting some of the significant achievements of the company, he pointed out that four IndiaTobacco cigarettes received awards at the world selection for tobacco and tobacco-made products held at Brussels in November 1969. India Kings got a gold medal, Windsor and Simla got silver medals and Lex, a bronze medal. These awards were a tribute to the quality and excellence of the company, stated Mr Haksar.

Another important achievement by the company has been that in the export field, the Indian Leaf Tobacco Development Co, a sister concern of the company, received the Government of India certificate of merit for outstanding export performance of around Rs 15 crores between October 1966 to March 1968. Another achievement has been the introduction of a filter tipped brand, Bristol, towards the beginning of the year under review and it found ready acceptance with consumers.

Mr Haksar made a detailed survey of the company's management which had been maintained at a high level of efficiency. He added that the company had inherited the tradition of professional management from its overseas investors. The main ingredients of this professional management, he added, were the divorcing of ownership from control, the maintenance of proper objectives before the people who take decisions, maintenance of correct attitudes and beliefs regarding the development of scientific approach for the maximum use of resources and lastly the development and application of managerial enterprise. The chairman added that in order to maintain the highest levels of efficiency a system of management manpower forecasting is being practised by the company and reeruitment is made through rigorous and sophisticated procedures of selection. The career of professional manager in the company, he added, started with being a specialist and went on to be what might be termed a professional and finally developing into a general manager. At all these stages valuable training is provided to the management personnel.

ORIENTAL FIRE

Mr T A. Pai, Chairman, the Oriental Fire and General Insurance Co., Ltd told the shareholders at the annual general meeting held recently that net premium of the company during the year ended December 31, 1969, went up to Rs 11.62 crores from 10.35 crores a year before. This has resulted in an increase in the departmental reserves by Rs 74 lakhs to Rs 6.79 crores.. After makin provision for taxation to the extent of Rs 45 lakhs and taking into account Rs 19.91 lakhs, the release of provision in income tax in respect of earlier years, there is a surplus of Rs 91.49 lakhs. He indicated that a sum of Rs 63.99 lakhs has been transferred to general reserve, Rs 22 lakhs to dividend reserves and Rs 5.50 lakhs to dividend equalisation reserve.

Mr Pai pointed out that there has been a marginal increase in the overall ratio of net claims to net premiums because of an adverse experience in miscellaneous department. The overall ratio of expenses of management and commission to net premium was lower at 37.87 per cent in 1968. The investments of the company at the end of 1969 aggregated to Rs 10.35 crores as against Rs 8.53 crores a year before. The directors, he added, had recommended dividend at the rate of 20 per cent subject to deduction to tax at the prescribed rates.

JIYAJEERAO COTTON

The board of directors of Jiyajeerao Cotton Mills Ltd met in Bombay recently and resolved to capitalise Rs 231.83 lakhs out of the company's reserves and to issue 2,318,265 bonus equity shares of Rs 10 each to the existing equity shareholders in the ratio of one for two. The board's resolution supersedes its earlier proposal to capitalise Rs 36.35 lakhs and issue 363,470 bonus equity shares of Rs 10 each, which would have been approximately in the ratio of 1 for 13 shares held. Necessary application to the Controller of Capital Issues for the revised bonus issue proposal is being made by the company. The boards also resolved at its meeting to increase the company's authorised equity capital by Rs 2 crores to Rs 7.25 crores by issuing 20,00,000 additional ordinary shares of Rs 10 each.

INDIAN IRON

The Indian Iron and Steel Co Ltd, has increased the equity dividend from five per cent to six per cent for the year ended March 31, 1970. The company has earned a slightly higher gross profit of Rs 7.74 crores for 1969-70 against Rs 7.68 crores for the previous year. It earned a gross profit of Rs 5.56 crores for 1967-68. The provision for depreciation is higher at Rs 5.14 crores against Rs 4.65 crores. This leaves a pre-tax profit of Rs 2.60 crores against Rs 3.03 crores. Taxation absorbs Rs 4 lakhs against Rs 54 lakhs last year leaving a profit-after-tax of Rs 2.56 crores against Rs 2.42 crores. Out of the profit-after-tax, a sum of Rs 17.55 lakhs is used for payment of preference dividends. Net appropriations account for the balance amounting to Rs 2.38 crores. The proposed equity dividend will be paid out of the reserves.

SHRIRAM BEARINGS

The directors of Shriram Bearings Ltd, have proposed a maiden equity dividend of 10 per cent for the year ended June 1970. The company has cleared the arrears of preference dividends for the previous two years. The company has reported encouraging progress during the year. Production and sales have registered an increase of 33 per cent and 50 per cent respectively. The company's working has resulted in a higher gross profit of Rs 67.17 lakhs compared to Rs 25.39 lakhs in the previous year. After providing Rs 15.63 lakhs for depreciation and Rs 15.98 lakhs for development rebate reserve, the net profit works out at Rs 35.56 lakhs. Dividends on preference shares for the years 1967-68 and 1968-69 absorb Rs 3.72 lakhs. The disposable amount is thus Rs 31.84 lakhs, which has been transferred to the general reserve. The equity dividends will claim Rs 5.50 lakhs

ANDHRA BANK

Andhra Bank Ltd has reported that during the two years, 1968-69 and 1969-70, the number of branches has risen from 118 to 209. Of these 209 branches, 150 were in rural and semi-urban areas and 59 in urban areas. The bank's advances to smaller farmers during the year ended June 30, 1970, increased from Rs 1.39 crores to Rs 6.96 crores during the two years, the number of accounts rising from 2,668 to 37,902. Direct advances to agriculturists amounted to Rs 4.89 crores spread over 37,140 farmers and the average advance per farmer worked out to Rs

1,316. The bank has recently taken up financing of primary agricultural societies. Under the lead bank scheme, the bank has been allotted six districts. The number of small industrial units accounts has been risen from 206 at the end of June. 1968. to 819 at the end of June, 1970 and the amounts outstanding from Rs 2.46 crores to Rs 6.28 crores. Total advances have risen from Rs 32.41 crores to Rs 40.89 crores during 1969-70. Deposits have increased by about Rs 9 crores to well over Rs 50 crores.

TEA COMPANIES MERGE

The shareholders of Williamson Magor and Co. Ltd and the Dufflaghur Tea Co. Ltd have approved the proposed merger with an amendment in the scheme to the effect that the equity shareholder of the Dufflaghur Tea Co. will be given seven equity shares of Rs 10 each of Williamson Magor for every five equity shares of Rs 10 each held in the Dufflaghur Tea Co. This is subject to confirmation by the Calcutta high court.

COX AND KINGS

National and Grindlays Bank Ltd has purchased the entire share capital of Cox and Kings (Holdings) Ltd. Cox and Kings carries on, through subsidiaries, business of shipping and forwarding, warehousing, travel and insurance and commodity dealings. The company at present has branches in London, Liverpool, Southampton, Bombay, Delhi and Karachi.

UNITED COMMERCIAL BANK

United Commercial Bank has proposed an interim dividend of Rs 7 a share for the current year. This is payable on or after September 9 to those shareholders registered as on September 2. Transfer books will be closed from August 19 to September 2, 1970.

ROHIT PULP

Rohit Pulp and Paper Mills Ltd has purchased a Japanese paper plant with a capacity of five tons a day of writing and printing papers. The pulp required for this paper machine will be met from the existing pulp mill which had excess capacity. For this expansion, the company obtained a fixed term loan of Rs 20 lakhs from Dena Bank. The new paper machine is expected to be commissioned by October and will go into regular production by December, 1970. The ICICI has agreed in principle to give a foreign exchange loan of Rs 11.41 lakhs for the import of one super calendar machine and other accessories. This project, when implemented, will enable the company to produce special varieties of paper fetching higher prices. The company's working in the first three months of the current year was affected by a strike at the mills for 48 days. However, the strike has ended and normal production and sales have been restored from the beginning of July. Due to lean monsoon and drought conditions in Gujarat, the company had to suffer scarcity of its main raw material, rice straw. It could, however, obtain its full requirements from new areas at distant places and by paying higher prices. Moreover prices of chlorine, caustic soda and pulp have also increased.

WELLMAN INCANDESCENT

Wellman Incandescent India Ltd has increased the equity dividend from eight per cent to 10 per cent during the year ended March 31, 1970. The company's gross profit has risen to Rs 9.57 lakhs from Rs 5.13 lakhs for the previous year in spite of a decline in the value of contracts completed to Rs 1.06 crores from Rs 1.19 crores. The company had orders worth Rs 1.55 crores on hand on April 1, 1970, and the outlook for new orders is considered satisfactory. Unforeseen circumstances apart, the company hopes to maintain at least the rate of dividend for the current year. Out of the gross profit depreciation claims Rs 1.31 lakhs, taxation Rs 4.90 lakhs, and development rebate Rs 3,112, leaving a higher net profit of Rs 3.33 lakhs which along with a sum of Rs 1.35 lakhs being tax provision for previous years no longer required is transferred to the general reserve. The payment of the proposed dividend amounting to Rs 2.50 lakhs will be paid out of general reserve.

INDIAN ORGANIC

Indian Organic Chemicals Ltd has report d that during the year ended March 31, 1970, the production of acetic acid and ester solvents increased and it is likely to increase further in the current year because the plants have been modernised. The present production capacity of the plasticizer plant is about 3,000 tonnes. But owing to acute shortage of the basic raw material 2-ethyl hexanol, it is difficult to plan orderly production. Meanwhile active steps are being taken to bring up the plant capacity to the licensed level of 10,000 tonnes. The benzyl products plant with a capacity of 300 tonnes per annum has been installed. The company is setting up a polyester project at Madras for which recently a public issue was made. During 1969-70, the company's working has resulted in a higher net profit of Rs 27.45 lakhs, sales having risen to Rs 2.30 crores from Rs 1.32 crores. A dividend of 12 per cent has been declared on equity shares. The shares issued recently are not entitled to this dividend.

METTUR CHEMICALS

The Mettur Chemical and Industrial Corporation Ltd has plans to step up the production of rayon grade caustic soda by 20 tons per day to meet The increasing demand for the chemical as also to satisfy the increasing demand for chlorine in the area of operation of the company. A letter of intent has been obtained. The foreign exchange requirement of the project is being negotiated and the rupee part of the capital outlay will be met from internal resources. Orders for some domestic machinery have been placed and the new capacity is expected to be in operation by early 1971-72.

The company has reported that during the year ended March 31, 1970, gross production of caustic soda touched an alltime high of 39,113 tonnes compared to 32,080 tonnes in the previous year. The production of liquid chlorine and hydrochloric acid also showed a commensurate increase. The production of stable bleaching powder had to be kept down to 5,022 tonnes against 5,585 tonnes in the previous year owing to competition and difficulties in getting quality limestone. Salt production was maintained at a satisfactory level. Recently, the company has taken on lease an additional area of about 90 acres for production of salt. The output of chloromethanes was higher at 8,869 tonnes. Export shipments of methyl chloride to Malaysia are being made. Sales have risen to Rs 7.01 crores from Rs 5.91 crores. The working has resulted in a higher net profit of Rs 42.59 lakhs after providing Rs 64.15 lakhs for depreciation, Rs 2.62 lakhs for managing agents' remuneration and Rs 11.58 lakhs for development rebate reserve. General reserve gets Rs 14.97 lakhs. Equity dividend has been raised from 4 per cent to 10 per cent which will absorb Rs 25 lakhs.

UNIVERSAL CABLES

The directors of Universal Cables Ltd have decided to extend the date for receiving back letters of acceptance, letters of renunciation, request for allotment and request for additional shares, together with the application money in regard to the same up to August 31, 1970 instead of August 20 as was decided earlier.

COMPANY MEETING

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LIMITED

Regd. Office : Power House, Tennur, Tiruchirapalli-17

Excerpts from the speech delivered by Thiru K.A.P. Visvanatham, Chairman of the Company at the Thirtieth Annual General Meeting of the Company held on 10th August 1970.

Ladies and Gentlemen

I have pleasure in extending to you a warm welcome to this 30th Annual General Meeting of the Company.

The results of working of the Company during the year ended with 31-3-1970 have been reported to you in detail by the Director in their report. With a capital investment during the year of Rs. 33.80 lakhs on urban and rural electrifications and an addition of nearly 4,800 new consumers with a growth of 7.86% in energy sales and 12.67% in gross revenue collections, the operating results of the Trichinopoly-Srirangam Electric Licence should be deemed to be eminently satisfactory. Special emphasis was laid this year on urban improvements, to allow for the rapid load development in the cities Tiruchi and Srirangam in particular.

As you are aware, last year, in November 1969, the Tamil Nadu Electricity Board, increased our purchase tariff by 30%. Thereby our purchase bill gets increased by nearly Rs. 22 lakhs per year. Since our industry is regulated, leaving no surplus revenues. we were compelled to raise all our consumer tariffs by nearly 30% and this has naturally caused hardship to our consumers. Further, in view of the very short tenure of our licence (12-1-1972), we had to look to Government only for finance for expansion. Since our representations to Government for help have not yet been heard, we had to slow down our capital works and this again has given room to discontent among consumers.

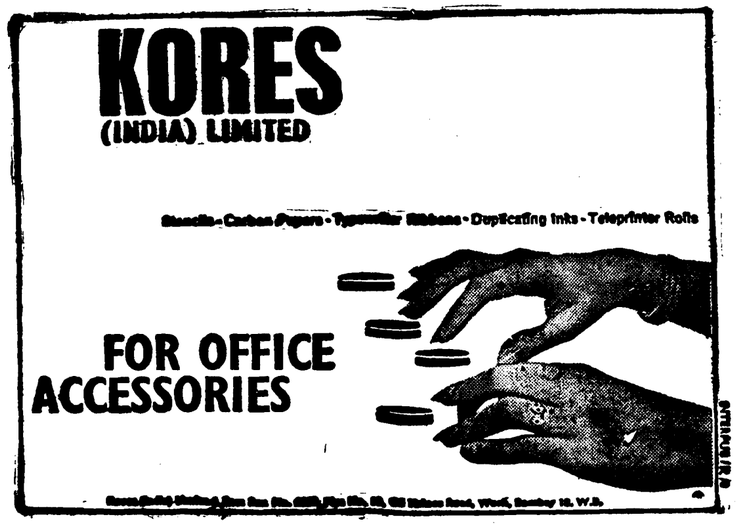
Representations are being made, both by the Company and the consumers, to the Government, on these problems and I sincerely hope our popular Government will come to help, both with respect to tariffs and with finance for extensions. Given the help we are asking, namely a revision of tariff and finances for expansion — I would like to assure the Government of our best endeavour to serve the public.

With regards to the Mayavaram-Mannargudi-Tiruvarur Electric Licence compensation problems, I regret to say that the Government have not yet appointed the Arbitrator.

As regards steps taken by the Board for refund of a portion of the capital out of the Rs. 31 lakhs kept in deposit from the Mayavaram-Mannargudi-Tiruvarur Electric Licence compensation amounts received so far, the Directors' Report has indicated to you the steps that have been instituted.

I would like to take this opportunity to express my personal appreciation and that of my colleagues on the Board of the good work that is being done by the officers and staff and workers of this Company.

(This does not purport to be a report of the Proceedings of the Annual General Meeting of the Company).



Readers' Roundtable

THE 'GENERALIST' AND THE 'SPECIALIST'

Sir, I would not normally weary you and the readers of your eminent journal with continued polemics over the "facts" and "opinions" of Dr A. Appadorai. It does, however, seem to me that Dr Appadorai, in seeking to answer the points raised by me, has sought out quotations and presented them in a manner which would appear to do very little justice to Dr Appadorai's own reputation as a serious student of affairs.

The various quotations given by him, if he had cared to study them in the correct context, would have convinced him of the correctness of my position. To explain :

It is not the case of anybody, not even that of the Committee of Secretaries and not, of course, the case of the ARC that posts and responsibilities within a functional area should be held by officers other than those of the functional cadres. The problem arises only when a functional area is not defined for responsibilities which are now described as those of general administration and management. For one thing the job content of these responsibilities is yet to be identified; for another the broad qualifications necessary for discharging these responsibilities have remained vague and sometimes contradictory.

The question of hierarchy, dual or monistic, arises only in this largely undemarcated area. Here two definite opinions prevail and have been frequently expressed. One is that there should be a uniform method of choosing men for these responsibilities, based not on the label which an officer may carry but on an assessment of his various qualities including those of leadership and team work. Thus all the various functional services and others would qualify *prima facie* and none would be automatically excluded for being considered for the manning of these responsibilities.

This, in true substance, is the view expressed by the ARC. This means that there will not be two hierarchies, namely, one to be exclusively considered for the so-called general administration and management responsibilities and the other more or less automatically excluded from it. The implication of these proposals which have been accepted in the United Kingdom and many other countries, is that general administration and management are not a kind of esoteric exercise which only a few, initiated in its mysteries, could perform. A further implication is that even in the functional responsibilities there is an element of general administration and management and it should not be difficult to impart to a functional officer, otherwise competent, a certain essential degree of ability to manage affairs.

Contrary to this view is the proposition that general administration and management are very specialised skills which only a few, by their training and experience could acquire. Thus arises the concept of "professional managers." It is in this context that one has to view the statement that technical skills are not required at all for top management posts. By which is implied that professional management is very different from functional competence and should be left to those who are *professionally* qualified to manage things. It is in this context that the Committee of Secretaries had referred to the diverse experience of the administrative service in areas of district administration and various other areas and have argued for even a special pleading before the Pay Commission of their case.

It would be certainly presumptuous for me to state definitely that the Committee of Secretaries is in favour of one scheme or the other. But judging by newspaper reports only, the implication is clear, namely, that top management is better left to "professional managers", at least very largely.

Not only the reports of the Administrative Reforms Commission but the fourth Plan document have opposed this point of view and have held that "management responsibilities should be thrown open to a larger field of selection thereby introducing a unified management pool" as different from a separate cadre of managers.

I hope I have made my meaning clear. If this was also what Dr Appadorai meant, there should be no further controversy, even if there had been some initial misunderstanding.

In any event, I wish to say that the purpose of my writing this letter is not to argue the case of one or the other. If we are clear about basic facts and premises, arguments could very well be different and could all still be *bona fide*. Is it possible that Dr Appadorai has relied entirely on a very brief report appearing in the *Statesman* of June 4, 1970, and has not seen a more elaborate account of the proposals of the Committee of Secretaries in the national newspapers, particularly *the Times of India* on July 6, 1970? I am sure Dr Appadorai and *Eastern Economist* are interested only in arriving at some system which can be constantly refined with a view to achieving the best purpose.

Yours etc.
K. G. RAMAKRISHNAN
Secretary General,
All India Confederation of Central Government Officers' Associations,
New Delhi.

Dr Appadorai replies :

"I am glad to note, from the second communication of Mr K. G. Ramakrishnan, that he admits the desirability of a unified management pool as argued in my original article. I quote from that article : "The Secretaries Committee, it seems to me is right in its reported recommendation in favour of a unified management pool."

This closes the correspondence on this subject—Ed.

NOTICE

The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.
Regd. Office : Birlagram, Nagda, M.P.

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Monday the 7th September, 1970 at 4.15 P.M. to transact the business mentioned in the Notice dated the 10th August 1970 accompanying the Annual Report and Accounts for the year ended 31st March, 1970 separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required by Section 173(2) of the Companies Act, 1956, relating to the special business is annexed to the Notice.

NOTES :

(*a*) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER.

(*b*) The relevant papers referred to in the Ordinary Resolution No. 11 are open to the inspection of the Members at the Registered Office of the Company on all working days between the hours of 1.30 P.M. and 4 P.M.

Shareholders are requested to intimate to the Company change in their registered address, if any.

By Order of the Board
B. N. PURANMALKA,
Secretary.

RECORDS AND STATISTICS

Foreign Companies

IN A study published in the June 1970 issue of the Reserve Bank of India Monthly Bulletin, it has been shown that all the profitability ratios and dividend disbursement ratios for the foreign controlled rupee companies were higher than those of the Indian controlled rupee companies and branches of foreign companies both in 1965-66 and 1966-67. Also, the rates of assets formation for foreign controlled rupee companies were higher than those for the Indian controlled rupee companies in both the years.

The study was prepared in the Department of Statistics of the Reserve Bank of India. The text of the study is given below without the detailed statistical tables which could not be included due to paucity of space:

Financial Results

This study analyses the financial results of the working of 219 branches of foreign companies and 365 foreign controlled rupee companies based on the accounts closed during the period April 1, 1966 to March 31, 1967. The branches of banking, financial, investment shipping and airline companies as well as non-profit organisations are excluded from the study. The total assets of the 219 selected branches of foreign companies accounted for 93 per cent of the book value of the assets held in India by all the branches of foreign companies (other than banking, financial, investment, shipping and airline companies) operating in India, as at the end of March 31, 1966. Of the 365 foreign controlled rupee companies 187 medium and large public limited companies and 71 medium and large private limited companies, respectively, are covered in the annual studies on finances of public and private limited companies for 1966-67*. The remaining 107 companies are selected with a view to improving the coverage and also to give representation to companies with low capital base but with a fairly large turnover. The 365 selected foreign controlled rupee comnies together accounted for 86 per cent of the total paid-up capital of all non-financial foreign controlled rupee companies as at the end of March 31, 1966. Out of the 208 branches of foreign companies and 320 foreign controlled rupee companies included in the previous study, 201 branches and 251 foreign controlled rupee companies are covered by the present study.

There have been some minor revisions in the methodology and presentation of statistics as also concepts and definitions compared with the previous studies. In the first place the reference period has been changed from July-June to April -March. Thus the data presented in this study for the years 1965-66 and 1966-67 relate to the information obtained from the annual accounts closed during the period April 1, 1965 to March 31, 1966 and April, 1, 1966 to March 31, 1967, respectively, Secondly, break-ups of certain items have been presented so as to give more detailed statistics. Thus, under the combined income, expenditure and appropriation accounts, separate statistics have been presented in respect of stores and spares consumed, power and fuel, repairs to buildings, repairs to machinery, selling commission, provisions other than tax, depreciation, etc. Similarly, more detailed break-ups are provided in respect of trade dues and other current liabilities and receivables in the combined balance sheet. The changes in the presentation of data and method of analysis and revisions in concepts and definitions broadly correspond to similar changes and revisions introduced in the study on the "Finances of Public Limited Companies, 1966-67" published in August 1969 issue of the Bulletin.

Significant Event

A significant event of economic importance during the period under review was the devaluation of the Indian rupee on June 6, 1966, which resulted in a general writing up of the various items of assets and liabilities of several branches included in the study. The financial results of the working of the companies in this sector were, therefore, affected by the devaluation of Indian rupee and as such any comparison of the results for the two years 1965-66 and 1966-67 are subject to this limitation.

An important point to be noted in this context is that the profit figures relating to branches of foreign companies presented in this article are based on the accounts of companies some of which are 'single branch' companies. In the case of some of the branch companies, the accounts furnished by them relate to the global accounts recast by the companies in rupees in the form prescribed by the Companies Act, 1956. The profit figures compiled from such accounts, therefore, do not exclusively relate to profits made by the branches in India. Further profit figures for the current year are arrived at after excluding items such as loss or gain due to devaluation besides other non-recurring items like profit or loss on sale of assets. However, it may be mentioned that the profit figures presented in the article on "*India's International Investment Position in 1965-66 and 1966-67*," published in the August 1969 issue of the Reserve Bank of India Bulletin are compiled with a view to assessing the net profits accruing to their head offices on their investments in India. Any comparison of these two sets of profit figures should, therefore, take into account the divergence in the scope and methodology of these two studies. (Table I, p.344)

UK Assets

The total assets of 184 UK branches and 24 USA branches accounted for 80 per cent and 14 per cent, respectively, of the total assets held in India of 219 branches of foreign companies included in this study. In the case of foreign controlled rupee companies, the 223 UK companies and 48 USA companies accounted for 63 per cent and 17 per cent respectively, of the total paid-up capital of all the 365 selected companies covered in the study. Industry-wise, branches of tea-plantations, manufacturing and trading companies account for 32 per cent, 15 per cent and 37 per cent, respectively, of the total assets held in India by all the 219 branches of foreign companies, while manufacturing and trading foreign controlled rupee companies accounted for 83 per cent and 6 per cent, respectively, of the total paid-up capital of all the 365 foreign controlled rupee companies.

As in previous studies, the data for companies with the place of incorporation/controlling interest in the UK and the USA, are presented separately and those for all the remaining companies are grouped under "other countries". Industry-wise, the data are presented for four industry groups in the case of branches, viz., tea plantations, manufacturing, trading and 'other industries', and for three industry groups in the case of foreign controlled rupee companies, viz., manufacturing, trading and 'other industries' It may be pointed out that inter-country comparisons are of limited significance in view of the wide differences in the Industry-wise composition of the selected companies under different country groups. The distribution of selected companies is given in Table II on page 344.

The value of production and sales† of 219 selected branches of foreign

*For the latest studies on public and private limited companies, reference may be made to August 1969 and November 1969 issues of the RBI Bulletin.

†Net of rebate and discount unless otherwise stated.

companies increased by 4.5 per cent and 2.1 per cent respectively in 1966-67. The total expenses rose at a slower rate of 3.8 per cent than the value of production with the result that the pre-tax profits registered an increase of 31.2 per cent. Tax provision rose by 35.0 per cent and in consequence profits after tax increased by 22.6 per cent over the previous year. The profitability ratios of the branches as measured by their gross profits as prcentage of their sales and as percentage of total capital employed were higher at 5.6 per cent and 8.0 per cent, respectively, in 1966-67 than the corresponding rates at 4.5 per cent and 7.7 per cent in 1965-66. The assets of the branches rose by 20.3 per cent over the previous year.

The value of production of 219 branches of foreign companies (sales adjusted for the variation in stocks of finished goods and work-in-progress) rose by 4.5 per cent from Rs 834.3 crores in 1965-66 to Rs 871.9 crores in 1966-67, while sales increased by only 2.1 per cent from Rs 832.2 crores to Rs 849.5 crores in 1966-67; in consequence, the accumulation of stock of finished goods and work-in-progress over the previous year was conspicuously high. Among the industry groups, growth in the value of production was faster than the growth in sales in the case of tea plantations and manufacturing groups, while the trend was in the reverse in the case of 'other industries' groups. Value of production and sales of the tea plantations group increased by 27.9 per cent and 24.5 per cent, respectively, in 1966-67, while the corresponding percentages for the manufacturing group were 18.0 and 12.8. (Other industries' group recorded a rise of 30.2 per cent in sales as against 12.4 per cent rise in the value of production. However, for the trading group, sales declined at a faster rate of 5.7 per cent than the decline of 2.9 per cent in the value of production* in 1966-67.) Among the country groups, rise in the value of production and sales at 10.9 per cent and 6.6 per cent respectively, was the highest for the USA companies followed by the UK companies with the corresponding percentages of 4.0 and 1.8. In the cae of companies incorporated in 'other countries' the value of production and sales declined by 3.4 per cent and 4.1 per cent, respectively.

The total expenditure of the 219 branches rose by 3.8 per cent from Rs 810.5 crores in 1965-66 to Rs 841.3 crores in 1966-67. The pattern of distribution of expenditure on different items was broadly the same during both the years. Raw materials, components, etc. consumed accounted for 51 per cent of the total expenditure followed by 'other expenses' (27 per cent) and salaries, wages and bonus (9 per cent); the remaining items accounted for 13 per cent of the total expenditure. The higher rate of increase in the value of production than the increase in total expenditure pushed up the pre-tax profits by 31.2 per cent from Rs 29.2 crores in 1965-66 to Rs 38.4 crores in 1966-67. Tax provision increased by 35.0 per cent from Rs 20.4 crores to Rs 27.6 crores in 1966-67 and the after-tax profits rose by 22.6 per cent from Rs 8.8 crores in 1965-66 to Rs 10.8 crores in 1966-67.

*Mainly purchases for sale.

TABLE I

FOREIGN COMPANIES : INDUSTRY WISE

Industry	Branches of Foreign Companies				Foreign Controlled Rupee Companies			
	Total	UK	USA	Other countries	Total	UK	USA	Other countries
Tea plantations	109	109	—	—	—	—	—	—
Manufacturing	28	22	5	1	290	172	41	77
Trading	59	42	10	7	45	32	2	11
Other industries	23	11	9	3	30	19	5	6
TOTAL	219	184	24	11	365	223	48	94

TABLE II

PROFITABILITY RATIOS OF FOREIGN COMPANIES
1965-66 and 1966-67

	Gross profits as percentage of sales net of rebate and discount		Gross profits as percentage of total capital employed		Profits after tax as percentage of net worth		Dividends as percentage of paid-up capital		Dividends as percentage of net worth	
	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67
219 Branches of foreign companies	4.5	5.6	7.7	8.0	—	—	—	—	—	—
365 Foreign controlled rupee companies	12.9	12.3	12.8	12.0	11.7	12.4	11.8	11.5	7.2	7.3
1944 Indian controlled public and private limited companies	8.6	8.4	9.0	8.7	8.0	7.8	9.0	8.1	4.9	4.7
1501 Public limited companies*	9.9	9.6	9.6	9.3	8.8	8.8	9.8	9.1	5.6	5.5
701 Private limited companies**	7.9	7.6	11.4	10.7	11.2	10.9	8.7	7.7	4.9	4.6

— Not applicable.
* Includes 187 foreign controlled rupee companies.
** Includes 71 foreign controlled rupee companies.

Profit before tax of all the industry groups with the exception of the trading group showed improvements over the previous year. Pre-tax profits for the tea plantations group rose from Rs 7.0 crores in 1965-66 to Rs 14.3 crores in 1966-67 while for the manufacturing and 'other industries' groups profits before tax stood at Rs 7.8 crores and Rs 8.1 crores, respectively in 1966-67, compared with Rs 5.4 crores and Rs 5.0 crores, respectively, in the preceding year. In the case of trading group, pre-tax profits declined to Rs 8.1 crores in 1966-67 from Rs 11.8 crores in 1965-66. Countrywise, profits before for the UK companies increased by Rs 6.1 crores to Rs 30.1 crores in 1966-67 followed by the USA companies, which showed a rise of Rs 1.5 crores from Rs 5 crores in 1965-66 to Rs 6.5 crores in 1966-67. Pre-tax profits of companies of 'other countries' increased from Rs 25 lakhs in 1965-66 to Rs 1.8 crores in 1966-67.

Gross Profits

The performance of companies taken industry group-wise as well as country group-wise, as judged from the profitability ratios viz., profit margin on sales and return on total capital employed was better in 1966-67 than in 1965--66 with the only exception of the trading group. Gross profits as percentage of sales and of total capital employed for the 219 selected branches of foreign companies improved from 4.5 per cent and 7.7 per cent to 5.6 per cent and 8.0 per cent respectively, in the study year. Tea plantations and other industries groups registered higher profit margin on sales than the return on total capital employed while the trend was reverse in the case of manufacturing and trading groups. For the trading group both the ratios declined during 1966-67, while all the remaining industry groups registered improvements over the previous year. Country-wise, return on total capital employed was higher than the profit margin on sales for all the country groups, moreso in the case of companies of the USA and the 'other countries'. Gross profits as percentage of sales was the highest for the UK companies followed by the companies of the USA and other countries.

As a result of the devaluation of the Indian rupee, various items of assets and liabilities were written up in general and as such the rise in the value of paid-up capital may be attributed to a large extent to revaluation. Likewise, the entire rise in the value of gross fixed assets may not be in the form of actual physical growth. In the absence of complete information on the effects of devaluation no adjustements arising out of the devaluation of Indian rupee could be made. This limitation has to be borne in mind while assessing the assets formation, capital formation, etc.

*Mainly purchases for sale.

The gross assets formation worked out to Rs 125.4 crores recording an increase of 21.3 per cent in 1966-67. Among the individual items, gross fixed assets and inventories increased by Rs 67.8 crores and Rs 31.9 crores respectively, accounting for Rs 54.1 per cent and 25.4 per cent of the gross assets formation. Accruals by way of receivables and cash and bank balances amounted to Rs 20.6 crores (16.4 per cent) and Rs 3.2 crores (2.5 per cent) respectively. On the sources side, slightly over two-thirds of the total funds were attributable to internal sources. Paid-up capital and provisions accounted for 34.7 per cent and 28.2 per cent of the total funds, contributing Rs 43.6 crores and Rs 35.4 crores respectively. Trade dues and other current liabilities constituted the main external source and contributed Rs 34.9 crore accounting for 87.5 per cent of the total external funds, borrowings constituted the rest of the total external sources.

Branch Assets

The total assets of 219 branches of foreign companies rose by 20.3 per cent from Rs 489.0 crores in 1965-66 to Rs 588.2 crores in 1966-67. The pattern of distribution of assets was broadly the same for both the years. Net fixed assets and inventories accounted for about 38 per cent and 30 per cent, respectively, of the total assets. Receivables cash and bank balances, tax advances and investments accounted for about 21 per cent, 5 per cent, 3 per cent an 2 per cent, respectively, of the total assets.

On the liabilities side, the proportion of share capital increased from 19 per cent in 1965-66 to 23 per cent in 1966-67 while that of reserves, head office account and surplus declined from 32 per cent to 28 per cent of the total liabilities. The share of provisions in the total liabilities remained stationary at 9 per cent in both the years, while that of borrowings declined marginally to 12 per cent in 1966-67 from 13 per cent in 1965-66. Trade dues and other current liabilities accounted for 29 per cent of the total liabilities in 1966-67 against 27 per cent in the previous year.

The value of production and sales (net of rebate and discount) of all the 365 foreign controlled rupee companies rose by 13.5 per cent and 13.4 per cent, respectively in 1966-67. Total expenses (including interest and managerial remuneration) rose at a higher rate of 14.5 per cent and as a result profits before tax increased only by 5.6 per cent. Tax provision having declined by 2.2 per cent, after tax profits, recorded an increase of 14.5 per cent. The selected foreign controlled rupee companies continued their heavy reliance on external sources for financing assets formation. The total assets registered an increase of 16.5 per cent. in 1966-67.

The sales of 365 foreign controlled rupee companies rose by 13.4 per cent from Rs 1,259.2 crores in 1965-66 to Rs 1,427.4 crores in 1966-67 and their value of production (sales adjuted for variation in stocks of finished goods and work-in-progress) increased at the rate of 13.5 per cent from Rs 1,284.1 crores in 1965-66 to Rs 1,456.9 crores in 1966-67. There was a marginal rise in the accumulation of stock of finished goods and work-in-progress by Rs 4.4 crores to Rs 29.4 crores in 1966-67. The manufacturing group which accounted for 86 per cent of the sales of all the foreign controlled rupee companies also recorded the highest increase, in the value of production among all the groups (14.0) per cent while the sales increased by 13.8 per cent. For the trading group, sales rose by 6.0 per cent compared with the rise in the value of production* at 8.6 per cent. Other industries group recorded the highest rise in sales at 22.0 per cent in sharp contrast with 12.9 per cent increase in the value of production. Among the country groups, the USA controlled companies recorded the highest increase in the value of production and sales at 23.6 per cent and 25.4 per cent, respectively, while the corresponding rate in the case of the UK controlled companies was 10.7 per cent and 10.5 per cent. The other countries group consisting of companies with controlling interest in countries other than the UK and the USA registered higher rate of increase in value of production at 17.0 per cent than in sales at 16.3 per cent.

Total Expenditure

The total expenditure of all the foreign controlled rupee companies increased by 14.5 per cent from Rs 1,158.3 crores in 1965-66 to Rs 1,326.8 crores in 1966-67. The pattern of expenditure on different items was almost identical in both the years. Bulk of the total expenditure was on the consumption of raw materials accounting for 54 per cent in both the years. This was followed by salaries, wages and bonus, excise duty, and other expenses, which accounted for 12 per cent, 9 per cent and 8 per cent respectively, in both the years. While stores and spares consumed and depreciation constituted 4 per cent and

3 per cent of the total expenditure, respectively, interest, power and fuel, other manufacturing expenses, accounted for 2 per cent each in both the years.

The value of production including other income of all the selected foreign controlled rupee companies increased by 13.6 per cent in 1966-67 compared with the rise of 14.5 per cent in the total expenditure. Gross profits rose by 8.9 per cent from Rs 161.9 crores to Rs 176.2 crores in 1966-67. Interest payments increased by Rs 6.3 crores from Rs 22.0 crores in 1965-66 to Rs 28.3 crores in 1966-67, while managerial remuneration increased by Rs 0.2 crores from Rs 1.1 crores to Rs 1.3 crores in the same period; as a result pre-tax profits increased at a lower rate of 5.6 per cent from Rs 138.8 crores to Rs 146.6 crores in the study period. Tax provision having declined by Rs 1.7 crores from Rs 73.8 crores in 1965-66 to Rs 72.1 crores in 1966-67, after tax profits increased at a comparatively higher rate of 14.5 per cent from Rs 65.1 crores in 1965-66 to Rs 74.5 crores in 1966-67. Dividend payments increased at a slower rate of 9.7 per cent from Rs 40.1 crores in 1965-66 to Rs 44.0 crores in 1966-67 and as a result there was higher retention of profits in the business which steeply rose by 22.2 per cent from Rs 24.9 crores in 1965-66 to Rs 30.5 crores in 1966-67.

Industry-Wise Profits

Industry-wise, trading and other industries groups recorded higher growth rates in profits before tax than in gross profits, while the trend was reverse in the case of manufacturing group. For the trading group, gross; profits and pre-tax profits increased by 13.6 per cent and 14.5 per cent respectively, while the corresponding percentage increase for the other industries group was 15.5 and 24.3. Growth in profits before tax was lower at 4.4 per cent in contrast with the 8.2 per cent rise in the gross profits for the manufacturing group. Country-wise, gross profits recorded higher rate of increase than pre-tax profits for all the country groups. The USA controlled companies registered the highest increase in gross profits and profits before tax at 18.9 per cent and 16.4 per cent, respectively, followed by companies controlled by other countries for which the corresponding increase was 13.3 per cent and 8.7 per cent. For the UK controlled companies, however, the gross profits as well as profits before tax registered the lowest increase of 4.8 per cent and 2.0 per cent respectively.

The two profitability ratios viz., profit margin on sales and return on total capital employed for all the 365 foreign controlled rupee companies declined, while return on share-holders, equity increased during the study period. The difference in the growth rates of sales and gross profits being large, profit margin on sales declined from 12.9 per cent in 1965-66 to 12.3 per cent in 1966-67. Gross profits as percentage of total capital employed also declined from 12.8 to 12.0 in 1966-67. Return to the shareholders i.e., dividends as percentage of paid-up capital slightly declined while from 11.8 in 1965-66 to 11.5 in 1966-67 while dividends as percentage of net worth showed marginal improvement from 7.2 in 1965-66 to 7.3 in 1966-67. Profits after tax as percentage of net worth improved from 11.7 in 1965-66 to 12.4 in 1966-67.

Profitability Ratios

Industry-wise, other industries group recorded the highest profit margin on sales followed by manufacturing group in both the years; the profit margin for these groups, however, was lower in 1966-67 than in 1965-66. Return on total capital employed and on shareholders' equity for the other industries group improved while for the manufacturing group there was a mixed trend. For the trading group, profit margin on sales and return on net worth improved marginally, while return on total capital employed showed a decline. Dividend as percentage of paid-up capital and of net worth showed minor fluctuations for all the industry groups.

For all the country groups, profit margin on sales and return on total capital employed declined in the period under review. The USA controlled companies recorded the highest profit margin on sales followed by companies controlled by other countries and the UK Profits after tax as percentage of net worth declined for companies controlled by other countries group while it improved for both the UK and the USA controlled rupee companies in 1966-67. Dividends as percentage of paid-up capital and of net worth were the highest for the UK controlled companies. Return on paid-up capital showed a marginal improvement for the USA controlled companies as against a decline in the case of companies controlled by other countries.

The gross assets formation of the 365 foreign controlled rupee companies amounted to Rs 199.7 crores in 1966-67. Gross fixed assets formation of which nearly fourth-fifths was in the form of plant and machinery amounted to Rs 98.6 crores accounting for 49.4 per cent of the gross assets formation. This was followed by inventories accounting for 34.4 per cent or Rs 68.7 crores. The assets formation in loans and advances and other debtor balances amounted to Rs 35.6 crores accounting for 17.8 per cent of the total assets formation. Investments and other assets amounted to Rs 2.3 crores and Rs 2.2 crores, respectively, while there was a withdrawal of cash and bank balances to the extent of Rs 7.6 crores.

External Financing

The financing of gross assets formation was mainly from the external sources which provided Rs 127.5 crores accounting for 63.8 per cent of the total. Borrowings, mainly from banks, and trade dues and other current liabilities formed the major sources of external finance which contributed Rs 74.0 crores and Rs 38.4 crores accounting for 37.0 per cent and 19.2 per cent of the total funds, respectively. Net issues of paid up capital including premium on shares amounting to Rs 15.1 crores constituted 7.6 per cent of the total sources of finance. Among the internal sources, provisions, which formed more than half of the funds provided by internal sources contributed Rs 41.3 crores accounting for 20.7 per cent of the total assets formation. Capitalisation of reserves was of the order of Rs 28.3 crores accounting for 14.1 per cent of the total funds. Contribution by reserves and surplus mounted to Rs 2.7 crores accounting for 1.3 per cent of the total funds.

The total assets of 365 foreign controlled rupee companies increased by Rs 208.5 crores from Rs 1,261.0 crores in 1965-66 to Rs 1,469.5 crores in 1966-67. Pattern of distribution of assets and liabilities, was broadly similar during both the years. Proportion of net fixed assets and receivables to the total assets stood at 38 per cent and 20 per cent, respectively. Inventories accounted for about 28 per cent in both the years. Advance of income tax and cash and bank balances accounted for 7 per cent and 4 per cent respectively, while investments and other assets accounted for less than 2 per cent each in both the years. On the liabilities side, the share of share capital declined from 27 per cent in 1965-66 to 26 per cent in 1966-67, while that of borrowings, mainly from banks, increased from 27 per cent to 30 per cent. Reserves and surplus accounted for 15 per cent in 1966-67 as against 17 per cent of the total liabilities in the previous year. The share of trade dues and other current liabilities and provisions accounted for 16 per cent and 13 per cent respectively in both the years.

All the profitability ratios and dividend disbursement ratios for the foreign controlled rupee companies were higher than those for 1944 Indian controlled rupee companies, and 219 branches of foreign companies in both the years. Rates of assets formation for foreign controlled rupee companies were higher than those for the Indian controlled rupee companies in both the years.

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Seminar with Steel on the Mind

SOME seminars succeed because of their themes, others in spite of them. The seminar held by the Indian Engineering Association in New Delhi last week belongs to the latter category. It is perhaps incumbent on an association celebrating its 75th anniversary to vindicate its claim to maturity by attempting to view its problems in a relatively long-term perspective. From this point of view, the IEA's choice of "Engineering Industry in the Seventies" as the topic for discussion on this occasion was not only understandable, but reasonable. Only, in the event, it proved to be not altogether practicable.

From the word 'go' it was apparent that the men of the engineering industry had only one thing on their mind, viz., the steel shortage. Because this was so real a problem for them, the discussion at once became earnest, enthusiastic and realistic, so much so the seminar came alive as a wholly relevant occasion for all those who had a stake in its effectiveness. It also had the good fortune of being treated to a clear and confident analysis of the raw material situation by Rear Adm. B.A. Samson. He did not mince words but bluntly said that the government and industry together would have to do a great deal more than was being done if the engineering industry were to ward off the steel starvation which is threatening it. The string of suggestions made by him might not have carried any proposals which were really original or new, but the merit of his exposition lay in its striking the right note of urgency as well as in its earthy practicality. Except for the fact that Rear Adm. Samson did not seem to appreciate adequately the fact that at least one other substitute for steel he suggested, which was aluminium, was also in short supply, he revealed a firm grasp of the immediate as well as the prospective problems which the engineering industry had to reckon with in relation to its raw materials and we have no doubt that his observations as well as those which were offered by other participants in this part of the proceedings would help the three central ministries directly concerned, viz., the Ministry of Steel, the Ministry of Industrial Development and the Ministry of International Trade, to concert measures for relieving steel scarcity in the short period as well as drawing up a proper perspective of development for the years of this decade.

Apart from steel what interested this seminar most was the export aspect of the engineering industry. Once again the seminar was well served by the principal speaker on the subject. Mr K. Eswaran discussed in compelling terms the closely integrated nature of the export capacities of the engineering industry and its viability in terms of production for the home market. From his presentation of this subject emerged many important lessons for government policy in promoting the export of engineering goods. For instance, if export-oriented industries cannot obtain sufficient raw materials for their entire production (including production for the home market) their overall viability may be so damaged that their export performance is also jeopardised. Again, it was clearly shown that it would be unrealistic on the part of the government to specify high percentages of total production as minimum export obligations. Mr Eswaran as well as other speakers, who evidently knew what they were talking about, were positive that the general situation the world over was that even in export-oriented industries, individual units sold the greater part of their production in the home market and were considered to be doing quite well in terms of exports if they managed to sell abroad about 10 per cent or so of their total output.

Mr Eswaran argued that, as a rule, exporting industries everywhere tried to sustain their competitive position in world markets by helping themselves to the more advantageous prices available to them on those portions of their output which could be marketed in their respective home markets. In his view, if the government were to insist on unrealistically high percentages of minimum export obligations it would not only be positively discouraging the emergence or expansion of industrial units with an export potential, but would also be placing an impossible burden on the public exchequer since subsidies in various forms would have to be paid by the government as compensation for the advantage of higher home prices denied to the exporting industries. While Mr Eswaran's observations in this context were applicable to the policy of minimum export obligations as a whole, it naturally had a particular bearing on the special conditions sought to be imposed by the government on the larger industrial houses or foreign firms.

Another point of considerable significance made by Mr Eswaran was that it was naive to suppose that exports could be developed in a big way without the industry concerned diversifying its production patterns or specifications so that it could cater to the differing requirements of domestic consumers and customers abroad. Mr Eswaran drove home the point that so long as

manufacturers did not recognise the need for this kind of specialisation in producing for the export market, dramatic results could not be expected in the growth of exports, particularly to sophisticated markets abroad.

The discussion of the export problems of the engineering industry had to be cramped into an unduly short time and as a result an impression of incompleteness was left on the minds of both participants and the audience. Fortunately, the day after the seminar the Engineering Export Promotion Council happened to hold another seminar, also in New Delhi, on "Operational Prolems". This naturally provided a more ample opportunity for the detailed consideration of the particulars of export promotion. As a result of these seminars, it could be said with some confidence that both government and industry seem to be, on the whole, growth-oriented and export-oriented where the engineering sector is concerned. It was a good augury that the government's export policy resolution seemed to arouse, instead of scepticism, a high degree of optimistic responsiveness in the spokesmen of the engineering industry, particularly at the IEA seminar. For the first time, perhaps, the industry seemed to feel that a constructive dialogue with the government had not only become possible but could also be encouragingly productive in influencing ministerial attitudes or bureaucratic practices more and more in the right direction.

This development seemed all the more substantial because there was, at the same time, a healthy absence of any tendency on the part of the industry's representatives to be tolerant of the angularities which still tended to distort government policy. Thus, both Mr Abhijit Sen and Mr V.P. Punj, each of whom contributed an excellent paper on 'Finance' and 'Planning' respectively, were not at all inclined to soft-pedal criticism of those official policies which aimed at placing unreasonable restraints on the growth or dynamism of the larger business houses or industrial units. Indeed, the animus against size seems particularly irrelevant to the engineering industry where, in the first place, the small-scale sector has steadily grown and is now firmly occupying a prominent place and, secondly, it has been convincingly demonstrated that the larger units are building themselves more and more on the basis of encouraging the development of ancillary industries over as wide an area as possible. While Mr Punj pleaded for the rationalisation of our notions about monopolies or the scale of manufacturing operations so that our thinking might bear some sensible relationship to the actualities of modern technology and marketing, Mr Abhijit Sen pointed to the danger the internal resources needed for or financing the growth of the engineering industry being curtailed in the event of the activities of the large industrial houses being curbed under one pretext or the other.

To sum up, the engineering industry very definitely constitutes a promising growth sector both on the export front and in the more general area of the national economy as a whole. To mention only one significant bit of statistics, export of engineering goods has risen from Rs 10 crores in 1960-61 to Rs 106 crores in 1969-70 and is proposed to be stepped up to Rs 250 crores in 1973-74. Again, against a national average growth rate of seven per cent in exports, the growth rate in engineering products is expected to be 28 per cent. All this, no doubt, justified Mr Sanjoy Sen, Chairman of IEA, speaking of the industry being engaged in a "search of a vision of industrial development over the next decade and how it can be achieved." He spoke in robust terms of the engineering industry as a 'leading sector' in the industrial development contemplated for the current decade and recommended that the task for the seventies could be nothing less demanding than that of maintaining an annual growth rate of from 10 to 12 per cent.

The progress of the engineering sector inspired also Mr Dinesh Singh, Minister for Industrial Development and Internal Trade, who inaugurated the seminar, to cheerful eloquence. "From a relatively poor base," he said, "this industrial sector has expanded to a gross annual production value of about Rs 2,500 crores and has established a widely diversified range of production, expanding from simple engineering products to a comprehensive range of sophisticated machine tools and machinery and equipment. The vital and critical role of this industry in the rapid development of mechanised agriculture and in almost every manufacturing industry, besides essential infrastructure requirements, has enabled the economy to take a giant stride towards self-sufficiency in many fields."

It is rather comforting that, while, naturally, all our politicians may not be able, all the time, to assist positively in the industrial or other economic development of the country, some of them are at least up to the task of occasionally appreciating what has been accomplished. After this, Mr Dinesh Singh's assurance that he "would consider with sympathy and with a sense of urgency any constructive proposals and suggestions as would emerge from this seminar" could certainly be considered to be a bonus. Indeed, in fairness to the Ministry of Industrial Development and Internal Trade, its Secretary was as good as his Minister's word, for Mr T.S. Swaminathan was able to contribute very considerably to the success of the seminar by indicating that the government's intentions were well advanced in such directions as helping the industry to tide over its raw material problem or further assisting it in improving its relative competitive efficiency in international trade. Altogether, the IEA seminar meant that good use was made by all concerned of their more or less valuable time.

What Price Liquidity ?

FOR THE third time in the current year the monetary authorities have decided to raise the liquidity ratio applicable to the scheduled commercial banks by one per cent taking the total of the ratio to 33 per cent from 30 per cent before February, 1970. Thus, under the latest directive banks have been asked to increase their investments in government and approved securities to 28 per cent with cash balances constituting the remaining five per cent. At the same time, it has been indicated that refinance facilities will be available to the member banks at the bank rate only if there is a net liquidity ratio of 33 per cent.

The central banking institution is obviously worried about the contra-seasonal expansion in credit up to July 10 in spite of the fact that there had been a fast growth of deposits between May 1970 and July 10, 1970. The additions to deposits during this period amounted to Rs 206 crores against Rs 212 crores in the corresponding period last year while advances rose by as much Rs 234 crores against only Rs 92 crores previously. With the need to comply with the new stipulation relating to the liquidity ratio by the end of April and an unexpected demand for funds, borrowings of scheduled commercial banks from the Reserve Bank rose at a particular stage to over Rs 300 crores. But while it should be recognised that the banking system had an over-extended position even after the decline in advances that has taken place after July 10, 1970, and the special adjustments made by the government, it has not been made clear what exactly are the reasons for the unusual increase in advances.

The growth in credit during 1969-70 season exceeded earlier expectations being as much as Rs 589 crores against Rs 498 crores in the 1968-69 season. If, however, it is borne in mind that there was an accumulation of sugar stocks by nearly one million tonnes and the revival in economic activity brought about an increase in the quantum of working capital of industrial units, especially as there was a rise in prices of raw materials and components, the bulge in credit was not in any sense unexceptionable. The restrictions on advances against raw cotton, oilseeds and edible oils were well-merited though even here it might be contended that the delay in arranging for imports of raw cotton and edible oils has been responsible for encouraging speculative acitivity and hoarding.

The continued rise in advances during the slack season up to July 10 should be mainly due to the intensification of procurement operations and the additions to sugar stocks. It has been stated that the procurement of wheat and rice has been very nearly to the targeted levels while sugar stocks continued to rise up to the end of June and there would be a net decline only from July. The question may legitimately be asked whether the latest directives of the Reserve Bank are well-conceived or practicable and the new move is not calculated to make a success of the new loan that will have to be floated by the central government shortly for completing the second stage of the borrowing programme.

With the raising of the liquidity ratio by a further one per cent member banks will be obliged to invest additionally over Rs 45 crores which would mean that the Reserve Bank will have to effect net sales of government securities to the scheduled commercial banks before August 28. It will then be possible for the Reserve Bank itself to put in large subscriptions for the new loan in order to replenish its portfolio or be in a position to make open maket sales in September and October. If skilful switch operations can be concluded by which the Reserve Bank can accumulate large holdings of the 3 per cent 1970-75 loan which falls due for repayment on October 15, 1970, there will be no need for official support to the new loan in the form of cash applications. The success of the short-dated loan that may be floated by the central government early in September is, therefore, fully assured.

What is, however, significant to note is the fact that the central government and the state electricity boards and public bodies will be benefited greatly by the jacking up of the liquidity ratio by three per cent in a short period. Even granting that the advantage arising out of the first increase in the liquidity ratio was helpful in minimising the overall deficit of the centre for that year, the borrowing programmes for the current year will be facilitated by the compulsion to invest additionally over Rs 110 crores with an increase in the liquidity ratio to 33 per cent from 31 per cent. This would mean that, besides the usual investment of 25 per cent of the additions to bank deposits, which may easily be Rs 800 crores in 1969, there will be extra investment taking the total of all fresh purchases of securities by the banking system alone to over Rs 300 crores in a full year.

The explanation offered by the Deputy Governor of the Reserve Bank, Dr R. K. Hazari, that the latest credit restrictions have been designed to prevent an accentuation of inflationary pressures or even reduce prices wherever possible, and at the same time to secute for the public sector the desired share of fresh additions to bank deposits is not convincing. There is reason to believe that the increase in advances is mainly on account of the exceptional rise in sugar stocks and the heavy financing of procurement operations of the Food Corporation of India. There may, of course, have been an increase in advances due to higher prices of raw cotton, cloth, yarn and other items; but the amount involved may not be large.

If the central government is anxious to reduce its overall deficit and extend also liberal assistance to the state governments without pruning non-Plan expenditure to any great extent, there will necessarily have to be larger borrowing through open market loans. This would mean that there would be a transfer of the overall deficits of the public sector to the banking system to the extent that these deficits had not been neutralised by buoyancy in tax revenues or larger surpluses of government-owned industrial undertakings. This procedure has to be welcomed in a way as the changes in the quantum of deficit financing can be easily traced with the fluctuations in borrowings of the scheduled commercial banks from the central banking institution. It should not occasion any surprise if borrowings of member banks were still at the high level of Rs 232.35 crores on August 7, 1970, against only Rs 97.80 crores on August 8, 1969. But it is too much to expect that the banking system can reduce its borrowings and also increase its investments in government securities without an exceptional growth in deposits and/or a sharp contraction in advances.

It is very doubtful if there can be any pronounced growth in deposits in the remaining months of the slack season while, if the screw is tightened, the industrial sector will be in trouble. Unless a helpful attitude is adopted and it is recognised that there will have to be liberal refinance facilities during a period of transition from recession to a higher level of economic activity, the new credit policy may create more problems than it seeks to solve. The 1970-71 busy season promises to present intractable problems relating to the expansion of credit. Without a policy of overlending for a short period, it will turn out that the government used its privileged position as a borrower to raise its resources and created needless difficulties for the private sector during a period when much good work could be done with liberal credit facilities for productive purposes.

Port Deficiencies

IN DEVELOPING countries such as ours, whose own shipping caters for just about 33 per cent or even less of their external trade, overseas transportation costs, which have to be paid to international shippers in foreign exchange, have an important bearing on the balance of payments position. Although this has been well appreciated in our country for quite some time, it is regrettable that, due to one consideration or another, action at containing these costs has not been commensurate with the requirements. The result has been that we are obliged to pay ever-increasing ocean freight rates. During the sixties, the liner freight rates in our overseas trade have gone up sharply. In the case of trade with the United States, Canada and Australia, the annual increase, including the Suez Canal closure surcharge, has been as high as 6.8 percent. If this annual increase is continued during the current decade, it is feared that the freight rates level in 1980 would be 3.7 times of the 1960 level.

The main reason for our having to pay high ocean freight on nearly 97 per cent of our foreign trade—as a recent study conducted by the Operations Research Group, Baroda, points out—is the unsatisfactory port conditions in our country. The study—"Survey of Overseas Transport and Freight Structure in India's Export Trade"—explodes the myth, subscribed to by many a politician, that since our labour costs are low, we should not go in for any large-scale modernisation and mechanisation of port facilities. It clearly brings out the fact that berthing delays and slow loading and unloading of ships at our ports must be reflected in ocean freight rates. "Despite the programmes carried out over the first three five-year Plan periods and the subsequent annual

Plans for augmenting port capacities and improving handling equipment, port conditions", it notes, "remain deficient and impose costly delays to shipping and increased costs to both exporters and importers. Draft limitations preclude the use of larger bulk carriers and tankers to gain the economies of size in transport costs; and facilities generally available are suitable only for break-bulk handling of general cargo. Except for the use of cranes, the ports in general have not adopted mechanical cargo handling methods; and manual loading and discharge of vessels is the rule. There is only limited use of fork-lift trucks, and less limited use of palletisation of general cargo, although some of the ports have plans for procuring additional fork-lift trucks to permit greater use of palletisation". Berthing delays alone, the study reveals, caused a loss of 8,500 shipdays in 1965-66 and as many as 18,900 shipdays in 1966-67. At an average standing cost of about Rs 15,000 per ship per day, the extra freight paid on this count added up to Rs 12.75 crores for 1965-66 and Rs 28.35 crores for 1966-67. The loss due to slower loading and unloading of cargoes, which also lead to detention of ships on berths, apparently is not insignificant. The total increased freight charges incurred by us in these two years, thus, were much higher than the above quoted figures. Can we continue to incur such heavy losses? Obviously not.

With our sea-borne trade through the major ports alone expected to go up from 65.5 million tonnes in 1968-69 to 92.1 million tonnes in 1973-74, the modernisation and mechanisation of our ports assumes heightened importance. The fears that mechanisation will reduce employment potential are totally unjustified. Not only the increased demand for port machinery and equipment will go up as a result of mechanisation, leading to new employment opportunities being created in the engineering industry, but also the savings effected in ocean freight can be profitably utilised for investment in the other sectors of the economy. The containing of ocean freight can as well help in earning more foreign exchange through exports. The lower freight on imports should bring down the import bill. This can have a salutary impact on the cost of production of many industries which are dependent on imported raw materials or machinery to any significant extent.

Modernisation and mechanisation of our ports is therefore urgently called for and this has to be according to current or emerging international practices. The continuation of tardy implementation of the port development programmes during the first three five-year Plans and the subsquent annual Plans, which is not only reflected in the poor facilities available at our ports currently but also in the fact that between 1950-51 and 1967-68, only 58 per cent of the funds allocated for the purpose were actually spent, will not do.

Exporting by Guess Work

THE EXPORT policy resolution announced recently by the Government of India has stressed the imperative need to give proper attention to marketing and product development. It says that the efforts to improve marketing research, build up marketing skills and train export managers will be intensified and expanded. It is proposed to study the projections of the expansion of international trade over the seventies so as to be able to direct new investment to areas where we have definite advantages.

Inadequate attention to market research has been a feature of the export drive not only in India but in many other developing countries. Little effort has been made to study the needs of the markets and adapt production on the basis of the findings. An article in a recent issue of *Forum* published by the International Trade Centre UNCTAD/GATT, Geneva, rightly points out that management has made little use of foreign market research and has been reluctant to allocate adequate funds to carry out basic studies of export markets. Though the lack of competent domestic agencies has been a handicap, the main reason seems to be the want of realisation of the value of market research. The article warns that unless the existing information gap is bridged, "management's export decisions will probably continue to be based largely on guess work or on irrelevant experience acquired in domestic markets".

It is surprising that even our traditional industries have not given proper attention to market research although they have organised themselves into strong and resourceful associations for the past several decades. The Indian Jute Mills Association, for instance, has completed over 90 years but it is yet to realise the crucial role of market research despite the intense competition jute goods are facing from Pakistan and synthetics.

A survey recently undertaken under official auspices has the following comments to offer on the marketing of Indian jute goods in the USA: "Market intelligence on the part of the Indian industry is poor. Planned monitoring of competitive activities is absent. Many Indian shippers shipping to the USA are even unaware of the current Pakistan quotations, the selling price of synthetics, or the difference in hessian and paper bag prices. Periodical analysis of demand trend in individual sector is not undertaken. Investigation of product and process development which may influence burlap usage is not adequate". The survey adds that the function of the IJMA overseas office, in this respect, "is practically confined to transmitting some routine published statistics and submitting broad and general market reports".

The Government of India is reported to be considering a proposal to set up a Jute Marketing Board to organise market research. While the need for intensifying research is imperative, the government should consider whether a new organisation is really necessary. It was sometime back reported that the government was going to set up an export promotion council for jute goods. It is not known what progress is being made in this direction. Meanwhile, one wonders what the office of the Jute Commissioner is doing to encourage market research abroad or research at home to improve the productivity of raw jute.

The tea industry also has been neglecting market research. For too many years it has depended heavily on too few markets. It is however encouraging to find that the tea industry is now showing an anxiety to undertake market research. As J. Thomas & Co. say, in their annual report for the season 1969-70, "There is realisation that the production of fine quality tea does not automatically result in profitable working, the true criterion being not top prices for the best grades but average price and profit per acre. There is more awareness today among producers of the need to manufacture types of tea for specific markets. Producers who have suffered considerable losses over the past two years are undoubtedly more conscious of the need to study marketing and other aspects of the world tea industry".

If we stand united our Panchayat can ask for its our own flag, currency and army.

The export policy resolution says that product and market research is currently the responsibility of several bodies, official and non-official, and that their work will be co-ordinated. The results of research will be pooled in order to promote more effective utilisation. This is not the first time that the government has talked of co-ordinating the activities of various export organisations. When the Federation of Indian Export Organisations was set up a few years ago, it was thought that it would be able to achieve proper co-ordination. The Indian Institute of Foreign Trade also was expected to help in avoiding duplication of research activities. But these hopes have not been realised. The government is now setting up a Trade Development Agency. But industrial and trade organisations do not have a clear idea of its aims and activities.

If the government is really keen to promote market research, it should cut red tape in administration, especially in regard to the operations of the Market Development Fund. A sum of about Rs 45 crores is earmarked every year for this fund but trade and industry complain that the procedures for getting money from this source are tedious and dilatory. Even export promotion councils, export houses and commodity boards find it difficult to make use of this money. At the same time, some of the money allotted to the Market Development Fund lapses at the end of every financial year because there is no demand for it! While the government should take all care to ensure proper utilisation of the fund, it should also avoid unnecessary delays so that exporters will not lose their enthusiasm.

The export policy resolution has highlighted the scope for developing new exports. It says that products relating to agriculture, horticulture, sericulture, forestry, fisheries, chemicals, engineering and electronics will be identified with greater precision and that special measures and programmes will be taken up to develop them. The success in exporting these products will depend on the skill and speed with which we are able to assess the market potentialities. What is important is not merely to undertake realistic research but to make it available promptly to the industries and trades concerned. Many of the market surveys conducted by Indian embassies contain a good deal of useful information. But they are seldom distributed in time. Their presentation and printing are not done in a manner so as to facilitate easy reading. Efforts are also not made to make the surveys up-to-date. The Ministry of Foreign Trade, and the Directorate of Commercial Publicity in particular, should devote serious and systematic attention to market studies if the objectives indicated in the export policy resolution are to be realised.

The first leading article, "Drugged Control" in *Eastern Economist* dated August 21 should have appeared as a signed article by the editor. The omission is regretted.

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European Security

DR A. APPADORAI

THE SIGNING of the Soviet-West German treaty at the Kremlin by Chancellor Willy Brandt and Premier Kosygin on August 12 is a landmark in the post-war history of Europe. Mutual understanding and confidence between the Soviet Union and West Germany is a *sine qua non* for European security; to the extent the signature to the treaty makes possible such understanding, it is to be welcomed. There are still hurdles to be crossed, before the treaty can be an accomplished fact, but they can be. There are other problems, too, before European security can be assured, but, when this treaty is ratified, they will become easier of solution.

Of the five articles of the treaty, the two most important are Articles 2 and 3. These are:

Articles of the Treaty

Article 2: The Federal Republic of Germany and the Union of Soviet Socialist Republics shall in their mutual relations as well as in matters of ensuring European and international security be guided by the purposes and principles embodied in the Charter of the United Nations Accordingly, they shall settle their disputes exclusively by peaceful means and undertake to refrain from the threat of use of force, pursuant to Article 2 of the Charter of the United Nations, in any matters affecting security in Europe or international security, as well as in their mutual relations

Article 3: In accordance with the foregoing purposes and principles, the Federal Republic of Germany and the Union of Soviet Socialist Republics share the realisation that peace can only be maintained in Europe if nobody disturbs the present frontiers.

They undertake to respect without restriction the territorial integrity of all states in Europe within their present frontiers, they declare that they have no territorial claims against anybody nor will assert such claims in the future.

They regard today, and shall in future regard, the frontiers of all states in Europe as inviolable such as they are on the date of signature of the present treaty, including the Oder-Neisse line, which forms the western frontier of the People's Republic of Poland and the frontier between the Federal Republic of Germany and the German Democratic Republic.

Three Documents

Before I discuss the significance of the treaty, it will be relevant to refer to three recent documents of great significance. The first is a statement by Chancellor Willy Brandt in December 1969* "in talking about relations with the east — communist eastern Europe, including the Soviet Union — our attempt is to contribute to some kind of normalisation. .. I must confess that I have stopped speaking about (German) reunification."

The second statement is by Prime Minister Jozef Cyrankiewicz of Poland on December 22, 1969†: "Our policy is based on the principle that the *realities existing in Europe, created as the result of the victory over Hitlerism, should be recognized and respected by all states.* The acceptance of this principle by all states, and particularly the recognition and *inviolability of the frontiers existing in Europe*, constitute the starting point for a real normalisation of relations in our continent and for ensuring European security. .. *The recognition by the German Federal Republic of Poland's western frontier on the Odra and Nysa as final and inviolable is the starting point for opening the process of normalisation of relations between the German Federal Republic and Poland.* There is and there cannot be any other basis for the creation of conditions for a true normalisation of these relations between the two states."

The third is a statement by the Foreign Ministry of the Soviet Union on January 13, 1970†† "Acceptance by an all-European conference of *the principle of renunciation of the use or threat of force in relations among all European states*, together with accord on some important questions of European security as reflected in the relevant proposals of socialist countries, would mean the renunciation of war in Europe as a means of solving questions in dispute, which is of paramount significance. .. Of great significance for establishing all-European co-operation in various fields would be discussions on *developing comprehensive co-operation among all European states*; this, in turn, would promote the normalisation of relations among European states and would lay a basis for *considering specific matters of trade, economic, scientific and technological co-operation among all European states.* ..".

I have cited these three documents because they indicate the basic premises on which a Moscow-Bonn treaty had to be based: the desire of West Germany to normalise her relations with eastern Europe, and the giving up of her attempt to reunify Germany without the agreement of the Soviet Union; the demand of Poland — to be respected by the Soviet Union before she agrees to normalisation of her relations with West Germany — that the German Federal Republic recognise Poland's western frontier on the Odra and Nysa as final and inviolable; and the Soviet Union's insistence on (i) the renunciation of the use of force by all concerned including West Germany in relations among states, particularly in getting frontiers changed and (ii) the development of economic, scientific and technological co-operation with developed states to improve her own economy.

Significance of the Treaty

What do West Germany and the Soviet Union hope to get by signing — later ratifying — the treaty?

It would appear that West Germany has made the major concessions in accepting Articles 2 and 3 of the treaty and the actual situation existing in the region; it means that she will not attempt to seek modification of the boundaries with East Germany or with Poland except by mutual agreement. But Germany also gains: ever since Dr Adenaur travelled to Moscow to sign an agreement with the USSR on September 13, 1955, to re-establish diplomatic relations between the two countries, it had been Germany's aim to establish normal relations with her giant eastern neighbour. A nuclear power of the stature of the Soviet Union could not be a permanent enemy. Besides, it was to germany's interest to prevent the Soviet Union's possible interference in the affairs of West Germany, which the Soviet Union, as a victorious power in the Second World War, could continue to claim; the western victorious powers had tacitly renounced any such claim when they admitted West Germany to the NATO in 1954.

West Germany can also have satisfaction, negatively, from the fact that the treaty does not insist on *de jure*

**US News and World Report*, December 29, 1969, Pp. 29-32.

†*Daily News*, Polish Press Agency, No. 356 December 22, 1969, Pp. 19-25.

††*Soviet News*, No. 5525, January 13, 1970, Pp. 17-27.

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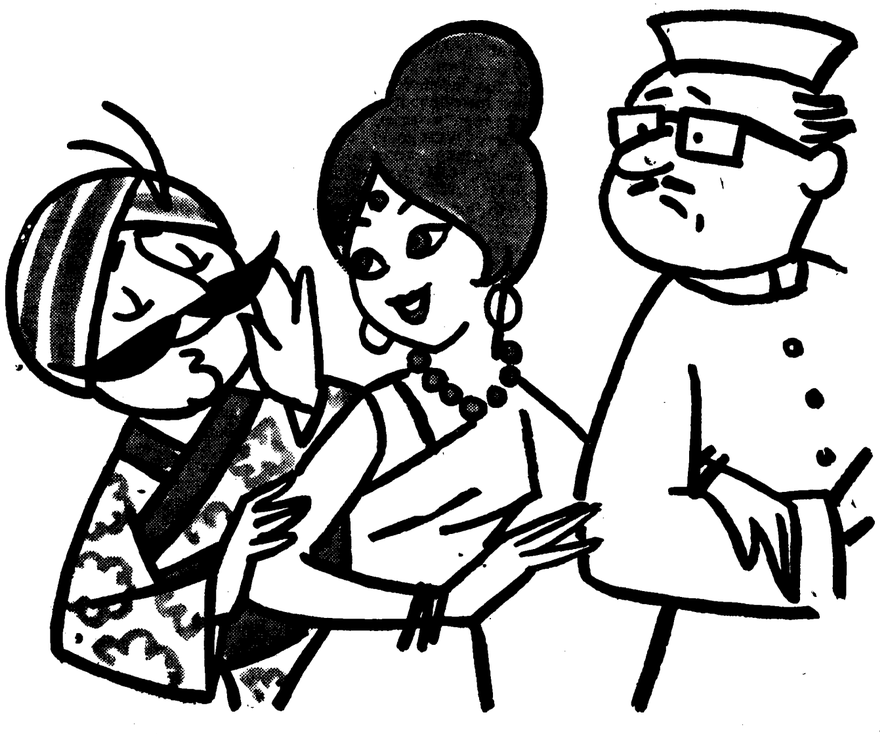


recognition of East Germany by West Germany.

It may also be added that Germany still hopes two of her objectives can be secured. The first is the unification of two Germanys. A letter from the West German Foreign Minister to the Soviet Foreign Minister, appended to The treaty, makes the position clear: "This treaty does not conflict with the political objective of the Federal Republic of Germany to work for a state of peace in Europe in which the German nation will recover its unity in free self-determination."

Second, closer integration of West Berlin with West Germany. Article 5 states that "the present treaty is subject to ratification and shall enter into force on the date of exchange of the instruments of ratification." West Germany is bound to use her right to ratification and enforcement of the treaty to get the concession from the Soviet Union regarding West Berlin: that West Berliners can visit friends in East Berlin, that access by land to Berlin should be unfettered and that West Berlin's political link with West Germany must be respected.

Russian Gains

Russian gains from the treaty are clearer. First at a time when Russia has territorial and other disputes with Peking, it is a gain to have normalised the western frontiers. The acceptance of the actual situation, as indicated in the treaty, is a vital gain; it means a commitment by Bonn not to attempt revision of the territories agreed on at Potsdam in 1945 by force. The principle of the renunciation of the use of threat of force, it will be recalled, was emphasised in the statement of the Foreign Ministry of the Soviet Union cited earlier. It is true that the revision can be made by agreement but that depends as much on Moscow, as on Bonn.

The second major gain is contained in the preamble in which the treaty is described as a means to favour expansion of economic and other relations between the two countries. Earlier in this article we have referred to the statement of the Foreign Ministry of the Soviet Union which underlined the need for promoting trade, economic, scientific and technological co-operation." The Soviet Union is anxious to increase the living standards of her masses, and technological collaboration with West Germany will help her to achieve the desired end.

The Moscow-Bonn Treaty is a major step in the assurance of European security. Other problems are there too; the holding of a European security conference, for which the initiative was taken by Finland in May 1969, is under discussion. The success of the current Strategic Arms Limitation Talks (SALT) is important. More binding arrangements concerning access to Berlin, the creation of a joint NATO-Warsaw Pact Commission, a defensive and neutral alliance of Finland, Sweden, Norway and Denmark, and the creation of an internal Mediterranean system to safeguard the security of the Mediterranean region are all under consideration. I have no doubt, however, that the conclusion of the Bonn Moscow Treaty will facilitate the conclusion of agreements on these and allied problems and pave the way for a durable European security.

Land for the Landless ?

R. V MURTHY

A SHREWD observer of current affairs has said: "The principal disease of democracy in India is infantalism". Talk of providing everyone with a job (even if it be in urban areas only) or of giving land to everyone (even if it be in rural areas only) is infantalism in excelsis, indeed. Not that these are desiderata to be derided; only they are not practicable, however ideal they may sound politically or ideologically. The hard realities of the situation must convince any sane person that, in spite of all our five-year plans, so far, the country's industrial base has not expanded so much as to ensure a job to every able-bodied adult who wants a job, while all the available culturable land (and this seems to be anybody's guess from the incomplete and conflicting figures tossed about) will simply not permit of even two acres, per head for the landless. What could be tried, as Mr H.G. Vartak, Revenue Minister of Maharashtra, told the Legislative Assembly in Maharashtra, the other day, is earnestly to implement the land reform measures already adopted, exactly to ascertain the surplus land available and equitably to distribute such land among the landless. But each one of these processes bristles with several difficulties.

Principles Subordinated

In the first place party and personal considerations are not always subordinated to the principle.

Secondly, no one seems to know precisely the extent of culturable land that is really available. Even the fourth five-year Plan document is quite vague on this point. Referring to the programme of distribution of surplus land in recent years in a number of states, it says: "But there is still a large gap in most of the states between the area which has been taken possession of, and the area distributed, only 464,176 hectares are reported to have been finally distributed". How can anyone make out from the total available culturable area or, for that matter, even the total area actual possession of which has been taken?

The fourth five-year Plan also makes mention of two surveys which have been conducted for locating culturable waste lands. "So far", we are told, "1.2 million acres (note that the Plan document uses *hectares* in some places and *acres* in others, thereby further confusing the picture) have been located in blocks of more than 250 acres and 4.6 million acres in smaller blocks. In addition to this, considerable areas would be available under the command of major irrigation projects. Some lands would also be available for distribution as a result of *bhoodan* and *gramdan*. There appears to be great need for the state governments to work out viable schemes for settlement of lands which are available for distribution to landless agricultural labourers."

Need for Viable Schemes

After reading this, all that one can make out is that there is need for state governments to work out *viable* schemes (whatever that may mean) for settlement of lands and that some lands are available for distribution among the landless. But that does not make one any the wiser as to the exact area that is available for distribution, or about the total number of the landless to whom the surplus lands are to be made available and how. It is not clear, therefore, how Mrs Indira Gandhi could make the announcement on AIR, Calcutta, the other day, that the imposition of a ceiling on family holdings in West Bengal would go a long way in achieving an equitable distribution of land to the landless and under-privileged, except it be by way of a sop to her leftist supporters. Evidently she does not seem to be aware of the findings of a recent National Sample Survey which shows that, in West Bengal, nearly one-half of the households own less than 2.5 acres each. According to this survey, there are 49 million operational holdings in the country, out of which more than 40 per cent are less than 2.5 acres each; one-third of the 49 million belong to the 2.5 —7.5 acre group; only the remainder, about a fourth, are holdings of over 7.5 acres. Further, as analysed by Prof. C.S. Mahadevan, the farm households with holdings of less than 2.5 acres form 34.5 per cent of the total number of households, while their share in the cultivated area is only 6.8 per cent.

Then there is the question of the mechanics of distribution. From the thought-provoking article on the subject of Mr Jayaprakash Narayan in *The Hindustan Times* of August 10, 1970, both the utter absence of any careful thought to it and the extremely complicated nature of the task should be obvious. Of course, it is too much to except either the political parties involved or the state governments concerned to follow his four-point sensible advice.

Maharashtra's Example

We may take the example of Maharashtra for a more accurate case study of the problem, if only because the Maharashtra government has given the latest position in the state in this behalf. According to Mr H.G. Vartak, Revenue Minister of the state, between May 1, 1960, and September 30, 1969, nearly 1,98,166 hectares of forest land were given away to 98,347 landless people and to 5,598 co-operative farming societies. About 72 per cent, of the beneficiaries were backward classes. In adition to this, *adivasis* and other backward classes received 10,286 hectares out of some 16,032 hectares of forest land in Thana district. Over and above this, it would appear, 57,454 hectares of government waste-land is available, but it is not clear how much of this would eventually become available for distribution to the landless. For, 23,478 hectares out of this have already been earmarked for different development projects to be undertaken and district committees have been appointed to ascertain this. Under the Land Ceilings Act, again, the Maharashtra government declared 1,05,311 hectares of land as surplus. Of this, 33,900 hectares (these belonged to joint-stock sugar companies) were given the Maharashtra State Farming Corporation and 17,410 hectares were distributed to others. Another 12,410 hectares are said to be in the process of distribution. The remaining area, we are told, cannot be distributed, as the matter is *sub-judice*.

Perhaps the only government agency that has given an official estimate of the landless people, regardless of whether it is accurate or not, the Maharashtra government puts the figure of the landless in the state at 45 lakhs. And Mr Vartak was honest enough to admit that it is not possible to provide each one of them with even the minimum economic holding. This is a gross understatement in all conscience. For, on the basis of the disclosed figures of government waste-land, forest land and land declared as surplus under the Land Ceilings Act, the total land available for distribution falls short of even five lakh hectares and, if distributed among even the 45 lakh landless as computed by the Maharashtra government, each landless person will stand to get but one-ninth of one hectare, not to speak of any minimum economic holding!

Thus, it is clear that however well-organised and well-intentioned as, for instance, the one suggested by Mr Jayaprakash Narayan, no land distribution scheme will result in everyone of the landless getting some land, not to speak of an economic holding. On the basis of a ceiling of 20 acres per individual, Prof. Mahadevan has calculated that the surplus available would be about 63 million acres for the whole of India, giving the landless a ridiculously uneconomic holding of two acres each. This means that even the best and the most well-conceived scheme will not yield the desired results, but leave a fairly large number of the landless whose appetites have been whetted disappointed and bitter. And what these frustrated men will do is anybody's guess, but everybody realises it is not going to be pleasant nor non-violent.

But that is not all. If the distribution is carried to its logical absurdity, there are bound to be some grave consequences which everyone ought to be apprised of. First, the area under forest land will become seriously eroded by the steady encroachment that is going on knowingly or unknowingly, and this will lead to an ecological imbalance. Secondly, it is a moot point if scientific agriculture, intensive agricultural development and all that we now associate with the green revolution can continue on even the small scale we are having at present. More holdings are sure to become uneconomic. Thirdly, there is every danger of some of the landless who have today other lucrative occupations, such as black-smiths, carpenters and shepherds, unduly diverting their attention from their own calling, with the result that not only agriculture but other professions also might be seriously disturbed. And, finally, the peasant will be reduced to such a state of dependence on government subsidies or other assistance to keep him going that he will cease to be the free man he still is today. The day may not be far off when, as Mr A.K. Sen has predicted, the peasant in India like his Chinese counterpart, will slip into serfdom under government-owned collectives.

Doctoring the NLC Report

A CORRESPONDENT

IT IS now fairly clear, after the meeting of the Standing Labour Committee last month, how the principal recommendations of the National Labour Commission will take practical shape and with what modifications. It will be recalled that at the last Indian Labour Conference there was much opposition from the states to the proposal of the NLC that independent industrial relations commissions should be set up to do the work of conciliation, adjudication of disputes and certification of the representative union, in place of the existing machinery.

The point of view of the states, supported by the union Ministry of Labour at the SLC was that the government is responsible to Parliament/legislatures and cannot sit with folded hands and see industrial peace disrupted, that it should not be required to apply, as petitioners to the IRC, to prohibit the commencement or continuance of a strike/lock out and adjudicate on a dispute. They further felt that, since industrial disputes were not disputes between individuals only, the interests of society and often law and order were involved, and only the concerned government could intervene in such situations effectively.

The union Labour Minister, while inaugurating the SLC meeting, said that there was no need for costly machinery like the industrial relations commissions. At the SLC meeting representatives of both employers and unions demanded IRC's. The President of the Employers' Federation of India stressed that the industrial relations machinery should be altogether freed from political pressure and influence, and he criticised the union government for yielding to the opinions of the state Labour ministers in this matter. After a long discussion throughout the first day and protracted behind-the-scenes parleys on the next day between government officials, employers and union representatives, a compromise formula was adopted by the SLC.

It was agreed that industrial relations commissions should be appointed at the centre and state level which should have the functions of certification of representative unions, adjudication of industrial disputes and such other functions as may be assigned. To meet the states' point of view the conciliation

machinery would remain as at present and the appropriate government would continue to have the same powers in respect of conciliation as at present. The chairman of the IRC would be a judicial officer who would be appointed by the appropriate government in consultation with the Chief Justice of India or the Chief Justice of the High Court and the UPSC or the state service commission, as the case may be. There would be two non-judicial members who would not be officials of government, but who would be well-versed in problems relating to industry, labour and management. They would be appointed in the same manner as the chairman. After appointment, the non-judicial members would sever all connections with their interests, and function as independent members. The unanimous and majority decisions of the IRC would be binding on the parties. Where, however, no two members agree, the decision of the chairman will prevail.

In essential industries, following the failure of negotiations and conciliation, it would be open to either party to refer all matters in dispute to adjudication. In non-essential industries, the parties should have the right of choice, in respect of their demands, between strike/lock-out and adjudication. But it would always be open to the appropriate government to intervene at any stage in the matter and refer the dispute for adjudication and prohibit the commencement or continuation of strikes or lock-outs.

One Representative Union

It was agreed that there should be only one representative union certified by the IRC for an industry in a local area or for an industrial plant unit as might be decided by the IRC. Unrecognised unions would have the right to represent before the judicial authorities in respect of cases of individual workmen regarding dismissal or discharge. The general opinion was in favour of determination of the representative union by verification of membership and not by secret ballot. The representative of the Hind Mazdoor Sabha, which has been among the union organisations favouring the secret ballot, agreed to the method of verification of membership, after the INTUC proposed a compromise that the determination of the representative union should be by the judicial member of the commission, i.e. the chairman.

In respect of other matters before the SLC which were not controversial a broad concensus was reached. Complaints of unfair labour practices would be referred to the IRC's. There was also agreement regarding wage boards, pension-cum-life insurance scheme for workers, etc.

From the foregoing, it is seen that the representatives of employers and labour were able to work out a formula to meet the viewpoint of the government and the compromise formula was acceptable to the centre and state governments. The unanimous recommendation of the NLC in regard to the IRC's has thus been modified in material particulars. It would have been better if conciliation work had also been given to the IRC's. That is the system in the Commonwealth of Australia where the Commonwealth Commission of Conciliation and Arbitration is invested with powers of conciliation, adjudication and certification of the representative union.

Unconvincing Argument

The argument that since industrial relations on occasions involve law and order and therefore conciliation should remain with the existing government machinery is not convincing. The IRCs could have been trusted to function in a manner that would further industrial peace; and in a situation in which there is resort to violence the parties can ask for police assistance to prevent or deal with cases of violence and intimidation. The opposition to the unanimous proposal of the NLC, in the name of law and order, sounds ill when it is common knowledge that in a number of states, the government has failed to use the police effectively to put down acts of violence and harassment of managerial staff in the course of industrial disputes

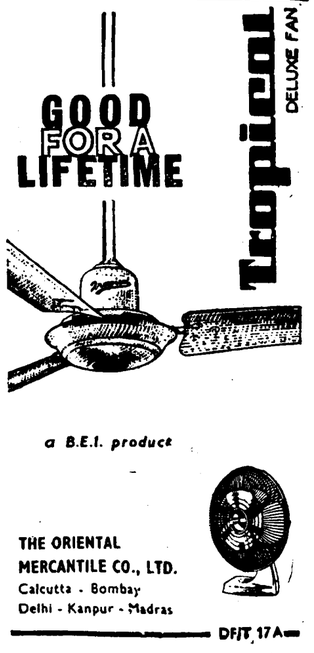
The NLC had said that the conciliation machinery should be freed from other influences, that the independent character of the commission would inspire greater confidence in the conciliation officers and would also, in due course, improve the attitude of the parties towards the working of the conciliation machinery. The parties would be more willing to extend their co-operation to the conciliation machinery as proposed and working independently of the labour administration.

These were weighty arguments. In the organised industries neither employers nor unions now appreciate paternalism by government in industrial relations. Not infrequently, there has been in some of the states, at the conciliation stage, intervention by ministers, coloured by the affinity of the union engaged in the dispute. Pressure on employers to concede union demands or even to condone flagrant discipline has often meant purchasing peace at any price, which is not in the interests of the industry or the community. Besides, ministers have other important duties and cannot have the time nor can they be expected to study the issues between the contesting parties in industrial disputes.

It would have been much better if the recommendation of the NLC had been accepted in toto. However, the compromise formula is better than the rejection of the main recommendation of the NLC regarding IRC's. It may be that in course of time employers and union representatives will be able to press government to transfer the conciliation work also to the IRC's.

The tripartite Standing Labour Committee meeting can be said to be a success though the achievement should not be exaggerated either, as a unique example of successful working of the tripartite machinery, for the main differences in this case were not between employers and worker representatives, but between employers and unions on the one hand and the state governments on the other. Secondly the two militant trade union federations had boycotted the meeting.

The decisions taken at the tripartite meeting take the form of recommendations, but the government is expected to bring in legislation at an early date to give effect to the recommendations, and these recommendations could be said to be a step towards better employer-employee relations in industries in the country.



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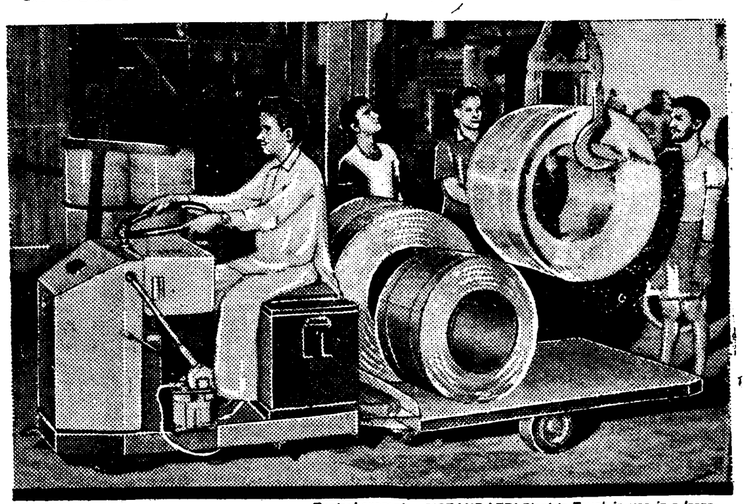

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FROM THE PRESS GALLERY

"Land Grab" Assailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE UNION government was very much on the defensive in Parliament this week on various issues. These included: (i) the land grab movement launched last month by the CPI, the SSP and the PSP; (ii) the rise in the prices of some commonly used drugs in the wake of the new pricing formula announced last month; (iii) the alleged disrespect shown by the Prime Minister to the National Flag on Independence Day; and (iv) the plea of the Tamil Nadu Chief Minister for a separate flag for his state.

In one of the most exciting and lively debates of the season, not only did the rightist sections of the Lok Sabha assail the government for taking a lenient view of the land grab movement, but also many from the two factions of the Congress party squarely denounced it. The sponsors of the movement, on the other hand, tried to justify their action mainly on the ground that the attempts made by the government at land reforms during the last 20 years had been only half-hearted. They even alleged that despite the growing discontent, nothing had been done to distribute surplus lands among the landless and that a good deal of this land had been taken possession of illegally by those who already had enough land. They read in this government's connivance with the feudal classes.

Election Strategy

The critics of the movement expressed the view that it had been launched with an eye on the 1972 general election. Instead of resorting to peaceful and constitutional means, the sponsors of the movement, they stressed, were going ahead with "land grab" so that the lawlessness and anarchy resulting from it should brighten their prospects at the polls. The leader of the opposition, Dr Ram Subhag Singh (Cong-O) even went to the extent of suggesting that the movement had been inspired by the Prime Minister herself. He pointed out in support of his contention that among the sponsors of the movement were the CPI and the PSP who were the allies of the Mrs Indira Gandhi's party.

Those who sympathised with the movement pleaded not only for the distribution of surplus government lands among the landless expeditiously but also for the lowering of the present ceilings on private land holdings and withdrawal of the current exemption from ceilings granted to orchards, mechanised farms, agricultural co-operatives, etc. Some of the critics of the movement were also not averse to the lowering of the ceilings on the possession of land, but they vehemently expressed themselves against the lawlessness and anarchy being created through this movement.

Lacking Punch

Contrary to the heated debate, the reply of the Minister for Food and Agriculture, Mr Fakhruddin Ali Ahmed totally lacked punch. He also did not display any sense of urgency to control the movement. Goaded to give the reaction of the government to the agitation, all that he said was: "We do not support it at all. If the movement is intended to encourage production, we think what it would do is that it will retard production. It will not be in the interest of the country". Mr Ahmed, however, announced that to expedite the implementation of land reform laws, he would be convening "very early" a conference of state chief ministers. He also revealed that it was proposed to set up an organisation in his ministry from where officers would go to states to ascertain what progress had been achieved in implementing the land laws and whether these laws needed to to be improved upon. The minister indicated the possibility of fixing a time limit for the implementation of land laws in consultation with chief ministers. Another important announcement made by Mr Ahmed was that in the Congress (R) administered states, legislation would be brought forth for fixing the ceilings on land holdings on the basis of a family instead of an individual as at present. He hoped that this principle would be adopted in the other states also as it would have the effect of reducing the land ceilings.

Although, as promised early last week, the government had assumed extensive powers to bring down the prices of commonly used drugs and had also pegged through a notification the prices of these drugs at the May 15 level, the drugs prices issue continued to agitate the members in both the Houses. They were anxious to know what the eventual solution to the problem was in the minister's mind. The Minister for Petroleum and Chemicals, Dr Triguna Sen, had indeed a tough time in pacifying the agitated members. All his attempts at explaining in detail the causes which had led to the rise in prices, however, did not succeed in cooling down tempers. His threat that the government would take over the management of those drug manufacturing companies which refused to co-operate in bringing down prices, also, could not pacify members. The minister repeatedly stressed that the prices of only 16 per cent of drugs had gone up and not of 80 or 90 per cent as had been alleged by the critics.

In his analysis of the reasons for the rise in the prices of some drugs, Dr Sen explained that certain Indian manufacturers had approached him after the original Drugs Control Order had been issued on May 18, pleading that they would be put to a disadvantage in competition with foreign companies by this order. The government, therefore, had suggested an alternative pricing scheme and almost all large and medium manufacturers had opted for it. Dr Sen stressed that the alternative pricing scheme had been suggested to help manufacturers, particularly Indian manufacturers, to tide over their genuine difficulties. He, however, had not anticipated that they would push up prices and not play fair. Charges were again hurled by many an opposition member that huge sums of money had passed into the hands of the ruling party for the largesse it had allowed the drug manufacturers. Dr Sen failed to adequately meet these charges.

A Tough Time

The government spokesmen had an equally tough time over the controversy about the unfurling of the National Flag at the Red Fort on August 15. The Prime Minister was scathingly criticised by many non-Communist opposition members for failing to unfurl the flag herself; they felt that she had insulted the nation and the National Flag. The explanation given by the Defence Minister, Mr Jagjivan Ram, in the Lok Sabha and by the Leader of the House, Mr K.K. Shah, in the Rajya Sabha apparently failed to satisfy the critics. They demanded an apology from Mrs Gandhi for "the great lapse". The government's version of the incident suggested that it was the outcome of nervousness on the part of the officer incharge of the gun salute to the flag. Mr Jagjivan Ram and Mr K.K. Shah explained that the Prime Minister had reached the rostrum on the ramparts of the Red Fort half a minute before the scheduled time, but the gun salute was fired a little before the specified time. This led to a chain

of events, including the striking of the National Anthem. Noticing this, another officer rushed forward to unfurl the flag, but it was Mrs Gandhi who helped in tying the cords.

Many an opposition member also took strong exception to the plea of the Chief Minister of Tamil Nadu for having a separate standard for his state to be flown primarily on the cars and the residences of the chief minister and the other ministers of the state. The Prime Minister's explanation that the matter was still under consideration and nothing had been changed as yet failed to quieten the indignant protest. The opposition members wanted an explanation from Mrs Gandhi why the proposal had not been rejected outright. They argued that acceding to the request of the Tamil Nadu Chief Minister would encourage fissiparous tendenciés. Some opposition members expressed fears that the Prime Minister had not revealed the whole truth. They demanded that the correspondence between Mrs Gandhi and the Tamil Nadu Chief Minister on the subject should be placed before Parliament. This plea, however, was rejected on the ground that there was no precedent for placing before Parliament the exchange of letters between the Prime Minister and state chief ministers.

Cheerful Outlook

In a discussion in the Lok Sabha on the drought situation, Mr Fakhruddin Ali Ahmed allayed the fears of members about any likely adverse effect of drought in some parts of the country on agricultural production. He even went to the extent of saying that the recent rains, which had been widespread, had made the outlook for this year's crop more promising than last year. The current monsoons, according to Mr Ahmed, were perhaps the best in four years.

The sharp criticism in the two Houses of the cartographic aggression by the Soviet Union against our country in the form of showing the Aksaichin and NEFA areas in the Great Soviet Encylopaedia as belonging to the Peoples' Republic of China has had a salutary effect. The entry and public display of this Encyclopaedia has been banned by the government along with any other publication containing wrong maps of Indian territory.

Two important bills were adopted by the Rajya Sabha this week. They were: (i) the Contract Labour (Regulation and Abolition) Bill, which sought to abolish contract labour in certain cases and to provide safeguard for workers in cases where the contract labour system could not be abolished; and (ii) the Food Adulteration (Amendment) Bill, which aimed at extending the parent Act to the state of Jammu and Kashmir.

Question Hour

Collaboration Agreements: The Deputy Minister for Industrial Development and Internal Trade, Mr M.R. Krishna, informed the Lok Sabha on August 18 that it was the policy of the government to ensure that collaboration agreements did not contain any secrecy clause or restrict export of manufactured goods. In respect of collaboration agreements wich had been approved before the reorientation of above policy, Mr Krishna added, it would not be practicable to insist on the removal of such restrictive clauses. Most of these agreements, he pointed out, however, would be expiring in their normal course within the next few years. If renewals of such agreements were considered unavoidable, the government, Mr Krishna assured the House, would follow the policy currently in force.

Foreign Aid: The Minister for Finance, Mr Y.B. Chavan, told the Rajya Sabha on August 19 that we are likely to get from the Aid-India Consortium this year the same quantum of economic assistance as last year. The World Bank had recommended an assistance of $1,100 million. The government of India had not put forth any specific demand. It had agreed with the assessment of the World Bank. Mr Chavan, however, could not indicate the quantum of aid which would be available from the individual members of the Consortium. This, he stated, depended on the sanction of their parliaments. He assured the House that no important Plan project would be affected by lack of resources.

LIC Investments: Mr Chavan also told the Rajya Sabha on August 19 that the government was working out certain guidelines for the investments of the Life Insurance Corporation. It was proposed to ensure adequate LIC funds for the development of agriculture, small industries and some other schemes aimed at social progress. Mr Chavan agreed that LIC should invest in housing and water supply schemes.

Rustom Crude: The production of Rustom Crude in Iran would be stepped up from 90,000 barrels to 150,000 barrels a day by September next year. This was stated by the Minister of State for Petroleum and Chemicals, Mr D.R. Chavan, in the Rajya Sabha on August 19. The Oil and Natural Gas Commission is a partner in the concessions where Rustom crude is produced. Of the total output, our share is one-sixth. Half of the production goes to the National Iranian Oil Co., and the remaining two-sixths is shared by ENI and Philips Petroleum who are partners in this Iranian project.

Ordnance Factories: The Minister for Defence Production, Mr P.C. Sethi, told the Lok Sabha on August 18 that a high-level ordnance production board with adequate administrative and financial powers was proposed to be set up for the management of ordnance units. He hoped that the proposed board would evolve a more efficient form of management than at present, enabling speedier decisions and faster implementation.

Eastern Economist 25 Years Ago

AUGUST 31, 1945

It is now a matter of common agreement among economists that deflation is inevitable unless it is prevented by positive policy; that it can and ought to be prevented; and that it is easier and better to prevent it before than after the onset of the depression. It is also now a matter of common knowledge that deflation, unlike inflation, is an unmitigated evil for all sections of the community and also for outside economies. Inflation has at least this virtue that up to a limit it does bring about, of course, crudely, a state of full employment of resources; and its disastrous consequences commence only after that limit is reached. In India, not only was that limit passed, but we suffered in addition from a totally disproportionate diversion of resources to war ends. We consequently suffered from all the evils of inaflion; and now this bloated economy is to be deflated in the same thoughtless and unplanned manner as it was inflated. There is yet no sign of the Government implementing the industrial policy, which it announced with a flourish in May last. It seems to be insufficiently realized in Government circles that any delay in the execution of that policy not only brings deflation nearer but makes it more difficult for Government to tackle it, when it comes on.

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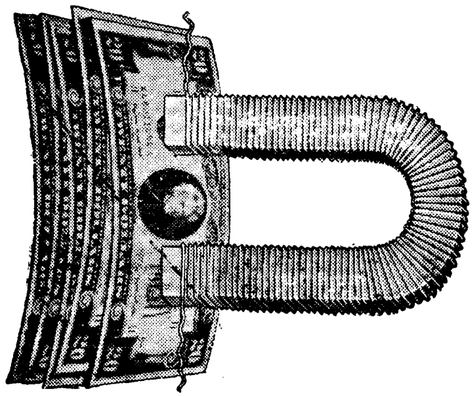

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WINDOW ON THE WORLD

The U K's Trading Position

JOSSLEYN HENNESSEY

I

A NEW VIEW

LONDON:

MY ATTENTION was caught by a thought-provoking contribtion to the *Quarterly Review* of the National Westminster Bank (41 Lothbury, London E.C. 2) by Mr David F. Lomax, who, after studying economics at the universities of Cambridge, England, and Stanford, USA, worked successively in the Federal Reserve Bank of New York, the British Foreign Office, the Department of Economic Affairs, and finally in the National Westminster Bank, where he is now a senior economist. Mr Lomax challenges the established view, which has governed Britain's commercial and trade policy in recent years that because of its geogruphical situation the UK is in some way uniquely dependent on international trade.

Linked to this are ideas that the UK has exceptionaly large earnings of foreign exchange per capita or as a proportion of gross national product.

Vulnerable Economy

This uniqueness is accepted virtually everywhere. In illustration, Mr Lomax cites an article in *The Times* on September 2, 1969, in which Mr Cecil King wrote "The British economy is so dependent on foreign trade that it is more vulnerable than any other, except perhaps the Japanese". On the question of foreign earnings Mr Hugh Stephenson wrote in *The Times* on June 9: "For the truth.. is that Britain already earns more in foreign exchange per capita than any other industrial country", and the Chairman of the Committee of Invisible Exports, in the annual report of the committee for 1968-69, said: "In 1968 (British) foreign income reached a total of nearly £10,000 million and this probably represents a higher rate of foreign earning power per head of population than anywhere else in the world"

Of course, the view that Britain is especially dependent on international trade need not necessarily be linked with any particular approach to policy, but in practice it is related to the two arguments that the UK has to be particularly careful of what she does and that any reciprocal steps towards tariff-cutting benefit the UK disproportionately can also play a part in arguments about other aspects of trade policy

Mr Lomax does not argue that the UK has no trading interests, or fewer than other countries, or that she can afford to decide her trading policy in disregard of the views of other countries, or that she does not benefit from the multilateral freeing of trade. He is, however, concerned to investigate whether there is any empirical justification for the conclusion that the UK is unique as a trading nation. The conclusion is that by and large the UK is a typical trading country of her size. Mr Lomax concerns himself with commodity trade, and thus excludes invisible exports, a field in which he considers that the position is typical.

Britain's Trading Situation

Dependence on international trade has not been subjected to much academic examination, whatever its currency among officials or the general public. However, since it refers specifically to the economy of a country, it must refer in some way to the quantitative facts about that country's trade. The table (p 367) presents what seem the most relevant figures to test this hypothesis for seventeen of the most developed countries: Australia, Austria, Belgium/Luxembourg, Canada, Denmark, France, West Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United States and the United Kingdom, for the latest year for which data is readily available, 1968.

In terms of gross national product per head (col. 3) the UK came twelfth; and even if adjustments had been made to allow, say, for the effects of different price structures, it would have been on a par with the other European countries. In terms of the sum of exports and imports (col. 4) the UK was third behind the United States and West Germany, with about half the trade of the United States and three-quarters that of West Germany. The UK had about a third as much trade again as the next countries, France, Japan and Canada. although Japan will by now be much nearer to the UK if not ahead. Thus on these figures the UK is not exceptional in terms of income per head, and while a substantial trading nation is hardly in a class by herself.

Turning now to the various ratios, the UK comes low in most lists. The UK is by no means exceptional in terms of its total export earnings per head (col. 13) in which it comes eleventh. The total foreign exchange earnings per head of the UK (about £200 or $480 according to the Chairman of the Committee on Invisible Exports) was beaten by the export earnings alone of Belgium /Luxembourg, Canada, Denmark, the Netherlands, Norway, Sweden and Switzerland. In terms of the ratio of exports plus imports to gross national product (col. 5) the UK is twelfth; of exports plus imports per head (col. 6) twelfth; of both food imports to GNP and per head (cols. 7 and 8) fourth; of raw material imports per head (col. 10) seventh; of manufactured exports to gross national product (col. 11) eighth; and of manufactured exports per head (col. 12) ninth. The UK is thus in the bottom half according to four of these ratios, and near the top (fourth) only on the two ratios involving food imports. Trading ratios tend, however, to vary with the size of the country, and to obtain a clearer picture we need to allow for this factor.

The graphs (Pp 368, 369) show four of these ratios plotted against a measure of each country's gross national product.

Looking at these in turn we see that on the graph relating the sum of exports and imports to GNP, the United Kingdom lies well within the main grouping of countries stretching from top-left to bottom-right (Graph I). The graphs have been drawn on a log scale for ease of presentation. Graph II relating to food imports shows more of a scatter, with the UK's position fairly extreme at the top right. In Graph III, which relates to raw material imports, the UK is within the main cluster of countries, although towards the edge in a group which includes Italy, Japan and West Germany. Finally the UK is well within the main cluster of countries in Graph IV, which covers manufactured exports. Thus these graphs reinforce the earlier judgement that, in terms of total trade, raw material imports, and manufactured exports the UK is not exceptional — her position is typical of a country of her size. The UK's position regarding food imports is, however, somewhat exceptional, as we shall see later.

Mr Lomax emphasises that the ratios examined were not selected after screening. He thinks it unlikely, however, that other tests would give a different result, because on *a priori* grounds he would not expect the UK to be an exceptional country in the matter of trade.

The view that the United Kingdom has a unique situation seems to stem largely from two sources: her nineteenth-century history when she

was the predominant trading country, and her position as a country without significant natural resources. Many things have changed since the nineteenth century, including British dominance in world trade, and this factor can now be disregarded. It is true, however that the UK is a country without significant resources, but it is often forgotten that almost every other industrialised country is in a similar situation. There are, of course, exceptions such as the United States, Canada and Australia; but Japan, and most countries of western Europe are as lacking in natural resources as the UK. Others, such as Sweden or France, may be better endowed but their resources go only a little way towards their needs. Thus the industrialised countries generally have a common interest in internnational trade and in obtaining raw materials from elsewhere and there is no reason to regard UK dependence as exceptional. Nor are the UK and other similarly placed industrialised countries in a weak position: the countries with better endowments in natural resources have an equal need to sell their products on the world market.

II

FOOD IMPORTS

Mr Lomax turns next to examine the question of the UK's exceptional level of food imports in terms of their ratio both to GNP and to population. The point at issue is whether these reflect some unalterable feature of the UK's situation or are the artificial result of deliberate policy. Mr Lomax argues that they are artificial. He indicates the ways in which the UK has taken measures to increase the value and volume of her food imports, and points out the extra capacity that there would be in British agricutiure if UK policies were more like those of other countries.

That the UK adopts policies to encourage and/or maintain a high volume of imports, with corresponding policies towards domestic food production, is a fact. For example, under the Commonwealth Sugar Agreement the UK agrees to buy each year a specified quantity of sugar (1.7 million tons) at a negotiated price; and domestic production has to be regulated accordingly.

Other Agreements

Other agreements allocate the UK market for dairy products, cheese and butter, among the UK and her suppliers, and the UK has given assurances not to encourage the expansion of milk production for manufacturing purposes. Since 1964 supplies of bacon on the UK market have been covered by the Market Sharing Understanding. Most imports of cereals are subject to *minimum* import prices, linked with assurances to the UK's overseas suppliers about their access to her market. The UK's domestic production policy is in many cases geared, by such means as standard quantities or variable support price arrangements (e.g. cereals and milk), to supply, without causing market disruption, the quantity which fits in with the estimtes of the total market and the overseas supplies. It is significant that, apart from guaranteeing a a certain volume of imports, these policies have in many cases had the aim of increasing the import price or at least ensuring that it does not fall below a certain level. Although other countries may join particular commodity agreements, no other country pursues policies such as these over the whole range of agriculture; and it is, therefore, not surprising that the total value of the UK's food imports is unusually high.

Reasons Behind Present Policy

There have been three main reasons for the encouragement of food imports and discouragement of domestic production. The first is that under the deficiency payments system of agricultural support any policy to improve the balance of trade in agricultural products tends to increased public expenditrue, and *vice-versa*. This is because the deficiency payment on any product is related essentially to the volume of domestic production of a particular commodity times the difference between its market price and the guaranteed price. Reduced foreign exchange payments for food imports would require either a lower volume of imports (greater domestic production) or a lower import (market) price, which would mean a bigger gap between the market and guaranteed prices, both of which outcomes would lead to greater exchequer expenditure. Thus exchequer pressures have been behind policies intended to restrain domestic output and increase

THE TRADING POSITION OF 17 DEVELOPED COUNTRIES

	Population (millions)	Gross National Product (GNP) (millions) ($)	GNP Per head ($)	Exports & Imports Value (millions) ($)	Exports & Imports As per cent of GNP	Exports & Imports Per head of pop. ($)	Food Imports As per cent of GNP	Food Imports Per' head of pop. ($)	Raw Material Imports As per cent of GNP	Raw Material Imports Per head of pop. ($)	Manufacturing Exports As per cent of GNP	Manufacturing Exports Per head of pop. ($)	Total Exports Per head ($)	Total Exports Population per square mile
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
UK	55·3	102,670	1,850	34,305	33·4	620·2	4·0	74·3	4·9	91·8	12·3	229·1	277·5	585·0
Australia	12·0	26,092	2,174	7,908	30·3	659·0	0·5	11·6	2·1	46·4	2·7	58·9	293·8	4·1
Austria	7·4	11,400	1,550	4,485	39·3	606·1	2·0	30·7	3·8	58·1	14·2	218·9	268·8	226·9
Belgium/Lux'g	10·0	21,485	2,160	16,497	76·8	1,649·7	4·2	89·2	9·2	197·2	31·2	669·9	816·4	777·7
Canada	20·8	62,440	3,010	25,640	41·1	1,232·7	1·2	37·4	2·2	65·7	11·7	352·6	632·6	5·8
Denmark	4·9	12,390	2,540	5,861	47·3	1,196·1	2·2	54·5	5·1	128 8	10·4	263·3	538·4	293·4
France	49·9	126,230	2,530	26,621	21·1	533·4	1·4	35·3	2·9	72·8	7·4	188·1	254·1	234·5
W. Germany	60·2	132,480	2,200	45,088	34·0	749·0	2·5	56·1	3·9	86·2	16·8	370·0	412·8	631·1
Ireland	2·9	2,983	1,029	1,973	66·1	680·3	5·3	54·8	6·4	66·2	8·6	88·9	275·2	109·4
Italy	52·8	74,980	13,90	20,436	27·3	387·0	2·5	35·2	4·9	69·9	11·2	158·8	192·9	453·6
Japan	101·1	141,810	1,400	25,961	18·3	256·8	1·3	17·9	5·3	74·6	8·6	120·5	128·3	708·4
Netherlands	12·7	25,230	1,980	17,632	69·9	1,388·3	4·5	88·9	7·7	153·1	19·4	384·8	656·8	987·8
New Zealand	2·8	4,775	1,740	1,905	39·9	680·4	1·0	17·1	3·0	50·3	1·8	30·4	360·7	26·5
Norway	3·8	9,020	2,360	4,644	51·5	1,222·1	2·2	52·9	5·6	132·4	15·6	371·0	510·0	30·5
Sweden	7·9	25,570	3,230	10,119	39·6	1,280·9	1·9	62·4	3·7	120·6	14·3	461·3	624·9	49·8
Switzerland	6·1	17,160	2,790	8,481	49·4	1,390·3	2·9	82·1	3·4	95·4	21·0	590·2	650·5	386·6
US	201·2	880,770	4,380	70,206	8·0	348·9	0·5	22·7	0·7	29·7	2·7	117·6	172·3	56·6

Sources : UN Commodity Trade Statistics; UN Monthly Bulletin of Statistics; OECD; IMF; New Zealand House; Statesman's Year Book

or place a floor under the import price. How would UK agricultural policies have developed had this conflict between exchequer and balance-of-payments considerations not existed?

The second reason for policies to restrict domestic agricultural output has been the belief that it was a better use of resources to produce industrial rather than agricultural goods, given the price at which the UK could import food. This was associated with the view that in order to compete with imported goods a greater degree of protection was necessary for agriculture than for industry.

The third, linked, reason was that it was necessary to make room in the UK market for foreign agricultural supplies in order to obtain tariff concessions for British industrial exports, notably in the Commonwealth, Denmark and Ireland. There is, of course, circularity in arguing at the same time both that because the UK needs food imports she must export industrial goods and that in order to export industrial goods she must increase or maintain the value of her food imports. The alternative would be not to import so much food and to export some of the industrial goods to other markets. However, the view has been taken that the balance of advantage lies in paying an agricultural price for industrial exports.

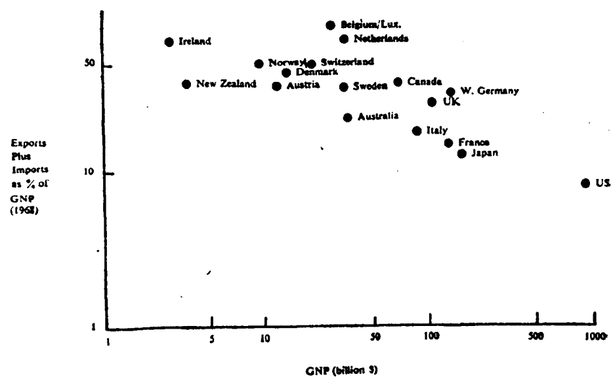
Output Could be Expanded

Mr Lomax considers it beyond dispute that there could be substantial increase in domestic production at price levels not greatly out of line with the present ones. The EDC for agriculture advocated a selective expansion programme to reduce net imports by £220 million over five years and recognised that further expansion could take place were it not for marketing difficulties, i.e. international agreements that prevented such expansion. The recent White Paper on Britain and the European Communities (Cmnd. 4289) says that the adoption of EEC prices would increase net agriculture production by between three and 10 per cent in the volume of UK imports of temperate foods. Thus two separate sources agree that output could be significantly greater if policy were changed. It must be a matter of conjecture what the value of UK food imports would be if she did not pursue policies designed to increase their prices in terms of foreign currencies, and if UK domestic policies had, over the postwar period, been more in line with those of other countries rather than wholly exceptional. Mr Lomax nevertheless considers it indubitable that under those circumstances that pattern of the UK's food trade could be much more similar than it is to those of other countries. Some other countries, of course, have a much better land endowment, but the UK's population density is less than that of the Netherlands, Belgium/Luxembourg, Japan and West Germany, and only a third as high again as that lf Italy (table col. 14), so that it is by no means self-evident that the UK's size alone forces her to have on exceptional trading pattern.

It is, incidentally, interesting that under Common Market conditions the

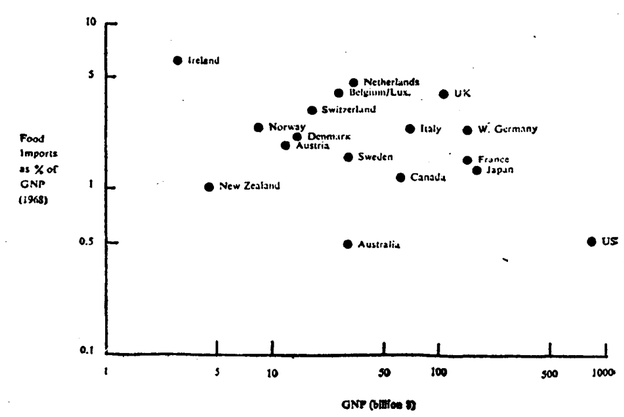
GRAPH I

Graph showing Exports plus Imports as a percentage of GNP plotted against GNP for various countries



GRAPH II

Graph showing Food Imports as a percentage of GNP plotted against GNP for various countries



agruments which have led to the present exceptional agricultural policy will lose much of their force. Under the system which has operated up to the present the conditions mentioned above have been relevant. Naturally enough, an area of policy as significant as that relating to agriculture has been the subject of strenuous public debate, which has been set in the framework of the system which has operated so far.

However, to take account of a situation in which farm support is through levies rather than deficiency payments, prices are maintained at levels designed to remunerate adequately producers who are, on balance, less or no more efficient than British farmers, and in which imports have in effect to be bought at these high prices, the terms of the debate need to be revised. It is necessary to think urgently about what policy to adopt in such a market, and in the transition to it.

Under such circumstances the arguments of the pro-imports school seem to Mr Lomax to be seriously weakened and he thinks that it would be right for the British negotiators in Brussels to ensure that the common agricultural policy is applied in such a way as to allow full expansion of British agriculture, with a complete break from the past policy of regarding agriculture as a sector about which the only questions have been the extent of the concessions demanded and offered.

III
CONCLUSION

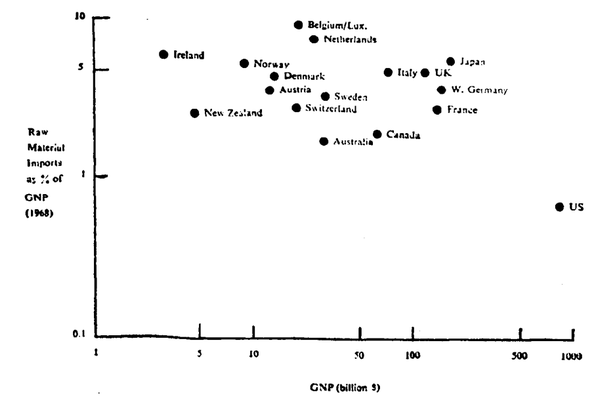
Mr Lomax concerned himself with a simple empirical question, whether there is any evidence that the United Kingdom is uniquely dependent on international trade. His conclusion is that in terms of most of the best measures available to test this, raw materials imports, exports plus imports, and manufactured exports, the UK is a typical country of her size. Further statistical calculations and graphs (which are available from the National Westminster Bank to anybody interested) confirm the conclusions drawn from the table and graphs.

The United Kingdom has, however, a very high level of food imports in relation to GNP and per capita. Without much discussion of the merits or demerits of the agricultural policy pursued in the UK, Mr Lomax has attempted to show that the pattern of the UK's food trade is the result primarily of this exceptional trading policy rather than of anything inherent in her situation. From this he concludes sonably that it is generally desirable that policy be formulated on a correct assessment of the facts, and that even relatively minor mistakes, which are always liable to occur if the assumptions are wrong, should be avoided if possible. This is particularly so in this instance, since the view that the UK is specially dependent or vulnerable leads to policies that are based partly on fear, with the that it is misleading to base trade policy on the view that the UK is somehow abnormal.

Assuming that this conclusion is correct, there remains the question of its relevance. Mr Lomax suggests rea-

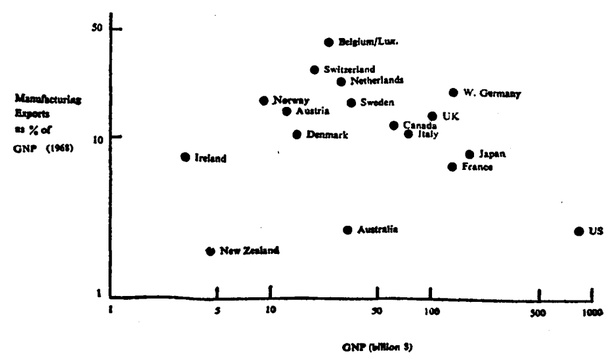
GRAPH III

Graph showing Raw Material Imports as a percentage of GNP plotted against GNP for various countries



GRAPH IV

Graph showing Manufacturing Exports as a percentage of GNP plotted against GNP for various countries



risk of their being inhibited and weak in consequence. Mr Lomax argues that far from being a minor factor to be taken into account when trade matters are considered, the idea that the United Kingdom is specially dependent on international trade has been one of the central assumptions underlying British trade policy in recent years.

If the foregoing analysis is correct, this old-established assumption should be discarded, and this would have important consequences for British trading policies, not least as they affect agriculture.

Will US Reverse Its Trade Policy ?

H. R. VOHRA

WASHINGTON:

THE HOUSE Ways and Means Committee is daily toiling to write a bill which, if passed, and approved would tend to reverse the trade policy of this country. It could usher a new protectionist era to the detriment of the whole world, not excluding the US. Yet so great can be the pressure of a few industries, irrespective of its affect on all industries.

Other concerned nations have already announced their intention to retaliate should the US return to protectionism. The Executive Commission of the European Common Market is stated "to be taking an extremely serious view of the restrictive trade bill now on its way through Congress."

The Bill being hammered out ostensibly provides for mandatory import quotas on textiles and steel from Japan and Europe. Other countries would also probably be roped in. The bill is expected to make it easier for all US industries to prove 'injury" by foreign competition in the domestic market so that the Federal Trade Commission can be flooded with demands for limiting imports on myriad items.

Important Contribution

Many economists have spoken out against the threatened change of course in the US trade policy. "The policy of progressive liberalisation of international trade pursued by both Democratic and Republican administrations during the post-war period has made an important contribution to the growth and prosperity of both the American and world economies," says the American Economic Association.

It adds: "But we stand at the brink of a serious reversal of this trend, a reversal which could lead us back to the heavy protectionism of the nineteen-thirties and the Great Depression."

Opening the floodgates of protectionism, the Association points out, "will benefit a few but will harm many."

For a detailed analysis of the measure under study one must await the publication of the bill itself and then follow its course through the labyrinth of Congress. It is still in the process of being chopped and changed under a variety of pressures and counter-pressures. However, one cannot help feeling that there is a link between the protectionist sentiment and the planned political, military and economic withdrawal of this country from its world role of the fifties and sixties. In the prevailing boredom, economic ideals for which this country has stood and fought since the Roosevelt era tend to be dimmed. The diminution of foreign aid is another instance of the same phenomenon.

The Background

While the Congress is cooking the Tariff Bill, it is time to take a measure of the background so that the change, if it comes about, can be accurately gauged.

The provocation to formulate a new trade policy has arisen because the 1962 Trade Expension Act which bore the Kennedy stamp expired in 1967. A legislation is required to replace it. The Johnson administration ended without a new law. It only published a series of recommendations on American trade in the coming years. The Nixon administration is thus free to write its own ideas on the subject. In the process it must maintain a balance between the interests of the consumer and the interest of the producer.

Congress is drawn into an active role in this affair by the gap in legislative proposals which should normally come from the administration. Many private bills have been submitted since 1967, calling either for quotas on imports or international market sharing agreements. The Senate proved a breeding ground for protectionist measures. The House Ways and Means Committee barred their adoption. President Johnson promised (as President Nixon has now done) to veto any Bill spelling retreat from liberalisation. He was comitted to the Kennedy Round and full implementation of the resulting agreement.

Presidents have been closer to reality, it seems, than some Congressmen who are more easily swayed by hard hitting lobbyists of individual industries. They seem to ignore that nations do strike back. When the US raised protection against carpets and glass in 1962, the Common Market on behalf of Belgium, refused to accept compensatory reductions in other American tariffs and placed restrictions on a number of American exports.

Some nations, including Australia, have suggested that they might delay their final tariff reductions agreed during the Kennedy Round to be completed by January 1972. They might also impose quotas and use other administrative measures to thwart US exports.

Nor do some Congressmen give due heed to the fact that sales by foreign nations in the US help them earn dollars which they use to buy US goods. "Experience suggests," Mr Henry Fowler, former Secretary of the Treasury once said," that for each $1 billion reduction in our merchandise imports, we will lose somewhat over half a billion dollars of exports."

A President of the US cannot ignore, as Congressmen seem to do, that this country has preached economic interdependence of nations. Rebuilding devastated Europe through the Marshall Plan helped to revive the US export trade. Lately, European assistance to the US has narrowed its balance of payments deficit. A reversal in this mutuality, could burst into an economic upheaval from which none would benefit.

Political Consequences

Its political consequences are also not difficult to foresee. US trade policies helped to integrate the European market. Protectionism would lose for the US the political position it enjoys in Europe today. Developing countries would also be hurt by American import quotas. Their frustration, following a reduction in aid and trade, can be imagined.

The most important items sought to be protected are steel and textiles. These two industries have been unable to stand up to the competition which Japan and Europe offer both at home and abroad. Imports of steel have risen by 6 million tons since 1968. They totalled 17.5 million tons last year. This is mainly due to superior Japanese technology which uses the blast furnace method of operation.

In the textile sector, Americans have been guided by the Long-Term Cotton Textile Arrangements (LTA) of 1962 which limits the import of textiles of a large variety of goods. It is essentially a voluntary market sharing arrangement. The Nixon government seeks similar agreements for wollens, synthetic fibres and fibre blends.

Since 1934, the US has sought "freer" trade, not free trade. The difference is dictated by the consideration that certain industries — steel and chemicals, for instance — are of too great a strategic importance to be exposed to the merciless winds of foreign competition.

Free trade has remained an ideal tempered by national realities. The Kennedy Round resulted in an agreement that will bring tariffs on products of most major industrial countries to an exceedingly low level. By accepting across-the-board approach, it could be said to have renounced the protection afforded by tariffs. In the field of agriculture, it showed willingness to participate with other countries in discussing domestic support policies. It also attacked non-tariff restrictions.

The Kennedy policy put the onus of protectionism on other countries. It showed confidence in the strength of the dollar which in turn helped to reinforce its strength.

According to Gordon Weil who recently conducted a study of trade policies for the Twentieth Century Fund " the 1962 Trade Expansion Act was based in part on the belief that lowering trade barriers in all major industrial nations is in the American interest and will prevent a return to the economic disasters of the thirties."

It was intended to avoid another Great Depression. It was effective. World trade has markedly expanded. All nations have benefited from it. And as Gordon Weil points out "the international community has been able to make the necessary adjustments to the creation of new customs unions and free trade areas and has seen the most favoured nation principle employed in trade relations throughout the non-Communist world."

Domestically, it has exposed the American industry to competition in which it is supposed to thrive. The rules of business at home were applied to the international sphere.

It is this policy which is being challanged in Cogress and elsewhere. The challenge is a source of worry for the thoughtful legislators who foresee in the proposed change a restrictionist slugging match that may well help collapse the network of multilateral trade which has been steadily built up over the last three decades.

Senator Jacob Javits puts the position succinctly: "A protectionist tide seems to be sweeping the world which, if allowed to go unchecked, will bring only grief and disaster to the world in the form of an international trade war."

The most welcome news is that President Nixon has declared he would veto the bill if it goes beyond the textile quotas he asked for.

As Bonn Practises Aid

PROF. DR KARL-HEINZ SOHN

Text of a lecture to an international conference held under the auspices of the Friedrich-Naumann Stifftung at Bonn earlier this year. Prof. Sohn is Secretary of State, Ministry for Economic Co-operation, West German Federal Government.

UNDER THE heading "German Economic Assistance for Countries of the Third World", a series of economic measures and activities can be summarised, which are partly classed with public development assistance, partly with private development assistance, and which have perhaps sometimes little to do with assistance in the proper sense of the word.

I need not stress particularly that the sector of economic assistance must be seen in close connection with the total concept of German development policy. I may point out that German and international development aid is at present involved in an intensive discussion and the prevailing principles and practices are being reviewed. The end of the first development decade, the necessity to plan for the next ten years and the publication of the Pearson Report, containing a first inventory of the development aid policy hitherto pursued and suggestions pertaining to all important development problems, have started off this discussion.

Finally the Jackson Study is commenting on the possibilities of an increase in efficiency and an extension of the United Nations instruments of development policy. In this context it might be useful to visualise the results of the first decade and the conclusions to be drawn from them, and to find out the needs of developing countries for the second decade.

Contrary to dissenting opinions, the first development decade has not been a failure, although a final judgement of its results would certainly be premature. As was planned at the beginning of the decade, the gross national product of the countries of the Third World has on an average increased by 5 per cent per year until the end of 1969, differing substantially from one country to another. Through the improvement of irrigation methods and in particular through the use of new seeds for wheat and rice a decisive breakthrough was achieved in the fight against hunger specially in Asian countries.

The infrastructure of many countries was improved considerably. School attendance was extended, life expectancy has risen. Donor and recipient countries know today better than 10 years ago where the bottlenecks are and how economic growth can best be promoted, for example through a better selection of the projects. During the sixties, the changeover from an improvised and experimenting development assistance to a comprehensive view of the problems involved in development and thus to a remarkable progress of the methods of development assistance was achieved.

Progress Lagging

Despite this encouraging success, the economic growth of the developing countries per capita of the population was, because of the rapid increase in population, lagging behind the growth of the industrial countries[1]. Even if some countries of the Third World have reached or nearly reached the point of an autonomous economic growth, it turned out that the majority of the developing countries is only slowly progressing and that long time-lags must be expected. Waiting will be all the more difficult since the expectations and the impatience of the people in the developing countries are growing in view of the prosperity of the industrial nations.

Developing countries and industrialised nations must make considerable joint efforts, in order to help the beginning second decade to be successful and not to disappoint the hopes of the poorer part of mankind. It seems that it will be indispensable to increase the quantity and, even more so, to improve the quality of assistance. There is also an urgent need for a common strategy and for better international co-ordination of development assistance.

West Germany is fully aware of the tasks to be solved. It has recently[2] by cabinet decision determined its main policy lines for the second decade and is now elaborating a more detailed concept for activities to be pursued in the period up to 1980. In its declaration of last autumn the government promised to try to increase the development assistance expenditure by 11 per cent annually; it thus attached a high priority to development assistance as a state task.

Development does not only represent an accelration of material condi-

tions but a change and dynamisation of outdated ways of thinking and social structures, and a purposeful cultural change. Development means modernisation which in the last resort is only possible through a change of the social and cultural concepts. Government has taken this into account and decided to pay more attention to technical assistance in the future. The number of experts we send out on a bilateral and multilateral basis is to be doubled by the middle of the second decade. Projects for training and education are given more priority than so far. This means that the share of technical assistance is rising.

Despite this, public credit assistance will continue to be the biggest item within German public development assistance. I need not particularly mention that the lack of financial resources— specially of foreign currency — represents one of the most important obstacles to the developing countries. The low per capita income hardly allows any savings that could finance the investment needed for the extension of the production capacity. And yet, only 15 per cent of the gross investment in developing countries was financed out of foreign sources, and 85 per cent was raised from internal funds. Foreign financial assistance is of special importance because it helps to overcome bottlenecks with its supply of foreign currency.

Objectives of Capital Assistance

The purpose of the German capital assistance must always be integrated into the general pattern of German development policy. The direct economic aim of credit assistance is the promotion of economic growth until an autonomous growth is reached, the integration of the recipient country into world economy and finally the increase of the per capita income. Capital assistance, just as any type of development aid, also contributes to social changes in the recipient country by a strong interference in the socio-cultural field. These extra-economic conditions must be taken into account in the planning stage of a project by suitable supplementing measures, in order to bring a project to an optimal success.

Based on this concept, the Federal Republic is making increasing efforts, to carry out projects of capital assistance and of technical assistance of so-called compound projects. Here, the construction of a port would for example be financed out of capital aid funds, and at the same time experts for the establishment of an efficient port administration are provided in the framework of technical assistance.

The grand total of commitments made todate for capital aid purposes amounts to 14,000 million DM, the biggest part of which was provided by the federal budget and which was partly financed out of the RP-Special Fund, by the federal states, and by KW-funds (KW—reconstruction bank).[3]

Geographical Distribution

As far as the regional distribution of these funds is concerned, the West German government did not have any regional preferences and gave the assistance to countries offering suitable development projects. In the course of time, certain centres of concentration came about. So far, 58 per cent of the funds were given to Asian countries, one reason being their better absorption ability; 19 per cent went to Africa, 14 per cent to European developing countries and 9 per cent to Latin America.

As you know, capital assistance is principally given in the form of credits, The underlying idea is that the countries of the Third World do not want to and are not supposed to be paupers, but partners, contributing to the building up of their national economies to the best of their abilities. Moreover, the funds of development assistance are to be utilized in such a way that profits are made, which can be used for the repayment to the donor country. This reflux enables the donor countries to grant fresh funds and thus contributes to the creation of new resources for the development process.

The conditions of the development credits are considerably below those of the capital market. West Germany has actively contributed to the passing of the OECD recommendation on conditions last year, according to which 85 per cent of the public assistance shall be granted for a term of 30 years, with 8 years free of amortisation at 2 1/2 per cent interest. A considerable part of the credits granted by the West German government is already equipped with these conditions.

During the initial period of German bilateral capital aid, the financial conditions of the credits were essentially depending on the type of project to be financed. Due to the bad situation of foreign trade in many recipient countries, the general economic situation is more and more taken into consideration in addition to the judgement on projects, when the conditions are fixed.

If the servicing on debts in some developing countries is in a given year nearly reaching the amount of newly-granted credits, this situation must be called 'precarious'. Remedial measures, as for example an adaptation of policies to the existing debt structure and the granting of new credits at suitable conditions must be taken. Specially the raising of further short-term export credits at tough conditions must be restricted, if necessary. In public assistance the situation can be improved through more favourable conditions.

Project Assistance

West Germany is one of the few countries within the OECD which still concentrates its development aid to project assistance.[4], i.e. capital aid is usually granted for certain projects. The advantage of project assistance is that both donor and recipient countries can within a short period of time state a measurable success of the funds invested and that their use can be better controlled. Besides, this type of assistance is frequently connected with advice and a transfer of technological know-how.

I believe that on the eve of the second decade the principle of project tying must be given new consideration. The West German government has already given programme assistance in the form of commodity aid and maintenance support for the delivery of goods of general need and for the delivery of spare parts and raw materials.[5] In the second decade it may be particularly expedient to grant more project assistance of this type to the economically advanced developing countries, because the demand for these goods is bound to increase in the course of development, and because home production and the amount of foreign currency at disposal cannot cover this demand.

Initially the credit assistance predominantly served the financing of the

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infrastructure, whereas the productive sectors of the developing countries were largely left to other initiatives. Along with the improvement of the economic infrastructure and the level of development, the demand for foreign currency and the capacity of absorption of developing countries is rising equally. This means that the promotion of the economically productive projects, saving or yielding foreign currency, is of growing importance.

Furthermore, the consequence of a lack of private capital and the debt situation was that the fast growing productive sector had to be sponsored by public credit assistance, too. Therefore it will have to be a future aim to continue to increase the share of economically productive projects as compared to projects of infrastructure. In this context agricultural productivity should be improved and augmented as well.

At present 42 per cent of capital aid was spent on projects of infrastructure, 17 per cent on productive projects and the rest on development banks and untied aid. During the past years small entrepreneurs have increasingly financed investment projects via development banks.

Some brief remarks on delivery tying. I realise that the developing countries are concerned about delivery tying as it is practised by many donor countries. Assistance not tied to deliveries encourages the international competition and always makes development assistance cheaper.

Therefore West Germany has always pursued a liberal policy on this question.[6] For some time it has intensified its efforts in order to eliminate delivery tying on the national and international level. Since last year production firms from developing countries are, as you know, permitted as tenderers if German assistance should exceptionally be tied to deliveries.

Outcome of Capital Assistance

When striking a balance of the experiences gained with public economic assistance for the Third World one must state that we were not spared failures, particularly in the beginning. We have, however, learned by these failures. It turned out that already in the stage of examination of projects, suggested by the developing countries, one had to find out whether there was a qualified project management, whether the supply of raw materials and marketing were assured, whether the location was optimal and whether sufficient care for the maintenance of the finished project was safeguarded.

Future activities should pay more attention to the interlocking of the purely economic part of the project and the socio-cultural conditions of the country. It is also important that the projects are in harmony with the priorities set by the recipient country in its development policy. Moreover, we must stop scattering individual projects. Our aim should rather be to concentrate on compound and long term projects in order to develop a whole region through the co-operation of capital assistance, technical assistance and support in education and in the social structure.

German capital assistance can today look back on a considerable number of successful projects. Since the initial difficulties have been overcome, suitable instruments have been developed and a concept has been gained. German capital assistance will continue to make a positive contribution to the economic growth of the Third World.

Contribution of Technical Assistance

Before leaving the field of public economic aid I want to mention the remarkable contribution to economic development made by our technical assistance, training skilled personnel, sending advisers, etc. I would moreover remind you of the fact that West Germany is also granting multilateral public economic assistance by subsidising the big international assistance organisations and banks, as for example the Asian Development Bank. The share of multilateral assistance in the German public assistance is 20 per cent as compared to an average of 10 per cent with all western donor countries.

I will now deal with the field of trade which is often regarded as the key sector on the way to a more rapid economic growth of the Third World. Special measures of advancement, taken by the West German government in this field, could be called indirect promotion of development as compared to the just mentioned direct form of development assistance.

The fact that just 80 per cent of the foreign exchange revenue of developing countries arises from trade, reflects the importance of trade for the development of the Third World. It is known that, due to the big share of raw materials in the exports of the developing countries and the drop in the prices of many raw materials on the world market, the terms of trade have deteriorated for the developing countries. The share of countries of the Third World in world trade decreased from 32 per cent in 1950 to 20 per cent in 1968.

Basic Aim

It must therefore be the basic aim of all development efforts, to put the economy of the developing countries on a wider production basis by increasing their supply of export goods, by eliminating monocultures and the creation of new productive facilities (diversification).

West Germany, having had a favourable balance of trade with the countries to the Third World for years[7] is supporting the developing countries in their efforts, to expand their trade. It is taking an active part in the deliberations of important international bodies like UNCTAD and GATT about the promotion of trade. Subjects of importance are on the international level, for example the question of raw material agreements, the reduction of import quota and tariff barriers in industrial countries, the concession of preferences to developing countries, etc. I will not deal with these points in detail. On a bilateral basis, the instruments of German development aid are also employed for measures of trade promotion; *e.g.*, capital assistance for the financing of export industries or for the establishment of an infrastructure of tourism, technical assistance for the improvement of the quality of export products, guidance in standardisation questions, guidance in the establishment of organisations for the furtherance of exports and marketing, or for the training of hotel personnel.

A special measure aiming exclusively at the promotion of trade is the promotion programme of the West German government for the participation of developing countries in German trade fairs. Funds are raised for this by the federal budget. Those countries which dispose of a sufficiently large supply of export goods, but which are unable to bear fully the costs arising from their participation in the fair, are given financial support. Only part of the costs will, however, be taken over.

Let me say a few words about the private economic assistance efforts made in West Germany for countries of the Third World. The West German government can only offer incentives for the investment of private firms in developing countries as far as this seems to be useful.

You know that private development aid is rather disputed from the point of

view of development policy. Critics say that this is no assistance in the proper sense of the word and that old colonial dependencies are maintained or new ones created.

As far as the quality of the assistance is concerned one can rightly say that only those services should be called development aid which represent a sacrifice for the donor or which bear particularly favourable conditions as far as terms and interest rates are concerned. As a rule, both these points do not hold for the commercial development aid. The West German Ministry of Economic Co-operation therefore asked for honest statistics, which should no longer contain short and medium term consumer credits under the heading 'development aid'.

One Side Aid

Irrespective of the question whether private economic aid should be called development assistance or not, one can question the economic contribution this type of aid can make to the development process. Direct investment is particularly criticized in this respect. On the one hand it has frequently been made rather one-sidedly in certain sectors only and did not contribute to the needed diversification of the productive structures. On the other hand, private direct investment can be rather valuable, if it is made in suitable sectors[8].

In view of the great need of capital prevailing in countries of the Third World, the public funds of the donor countries are by far not enough to finance the investment needed. Private funds are a necessary supplementation and continuation of public assistance, if they are applied in the right place. They do not only engender an additional transfer of capital; at the same time, the investing firms convey their know-how to the developing countries and train workers there.

At the Second World Conference on Trade in New Delhi, developing countries and industrial nations have recognized that private assistance has a part to play in the developing process and should be encouraged. The Pearson Report also underscores the positive effect of private investment.

The Development Aid Tax Regulation, governmental guarantees, ERP-funds with low interest and the conclusion of investment agreements with developing countries are measures taken by the West German government for the furtherance of private investment.

The grand total of the German private direct investment in developing countries comes up to 5,000 million DM, which is about 30 per cent of the total foreign investment of the Federal Republic. The West German government also offers public funds for participation in enterprises of the Third World via the German Development Company[9]. The prerequisite for this is that, apart from the DEG (German Development Company), a German partner is having a share in the enterprise, offering his know-how and appropriate financing. The DEG does not strive for majority participation.

Let me finally mention that West Germany has in the private sector contributed considerably to the capital market, offering loans to developing countries and international organizations to be used in the framework of developing aid. In 1969, for example, the World Bank alone borrowed the net amount of about 1,000 million DM on the German capital market.

Some years ago, a statesman of the Third World, General Ne Win, of Burma, once said about the western developing assistance : "This type of assistance is useless. It cripples and paralyses the country. The receivers never learn, to take charge of their fate. They rely more and more on foreign experts and foreign money. In the end they have lost the rule over their country."

Actual Results

I think these are rather tough and a little unjust words. They imply a result which the German development assistance is trying to avoid. Development is not possible from outside. The decisive impact must come from inside the developing country. The slogan of help for self-help is not just idle talk. It is, however, not always easy to put it into practice.

German assistance is not being forced upon anybody and is not interfering with the policy to be pursued in the recipient country, least in the private sector of the economy. Every country has to decide for itself which policy should be pursued and which foreign assistance should be accepted.

If, in conclusion, one tries to state actual results, mention must be made of the relatively favourable growth rates of the developing countries during the last few years, to which the German assistance has made its contribution. However, in the field of public assistance—the same will probably be true for the private sector—a strict correlation between the total assistance given to a certain country and its economic growth could not be proved. The reason for this is that foreign assistance is frequently only of marginal importance in terms of volume and that, besides, many other components contribute to its growth or delay. There can, however, be no doubt about the fact that assistance represents an important and necessary catalyst and will continue to do so.

The West German government will continue to provide development assistance. For this purpose it will be necessary to reconsider what has been done so far and to adapt it to changed conditions in co-operation with our partners in the Third World. The West German government is resolved to do all it can to contribute towards international development, social progress and peace in the world.

References

1. Average growth (GNP) per capita of the population from 1960-1967 (data furnished by the World Bank) :

   Development countries : 2·5%

   Industrial countries : 3·6%

2. On December 31, 1969.

3. Breakdown :

Budgeted Funds	7·731 million DM	— about	76%
ERP	1·348 „	„ — „	13%
Federal states	500 „	„ — „	5%
KW	648 „	„ — „	6%
Total amount of funds (from 30-4-1970)	10·227 „	„ — „	100%

4. 1969: 68% of the capital aid is project-tied (according to loans agreements concluded).

5. From Dec. 31, 1969, according to loan contracts concluded.

6. Share of delivery tying in capital aid (according to loan contracts concluded) 1969: 32%.

7. Import surplus in 1969 : 264 million DM (according to producing and consuming countries; mostly via third countries) Share of developing countries in German imports decreasing, 1954 : about 30%, 1968 : about 20%.

8. Charter of Algiers : In principal, international private investment aid is a suitable instrument of development if its conformity to development and its permanent utility is ensured.

9. Original capital of the DEG: 115 million DM. So far, 95 million DM raised by the Federal Government. Grants by the DEG 149 million, about 90 projects, for a total capital expenditure of about 1,000 million DM.

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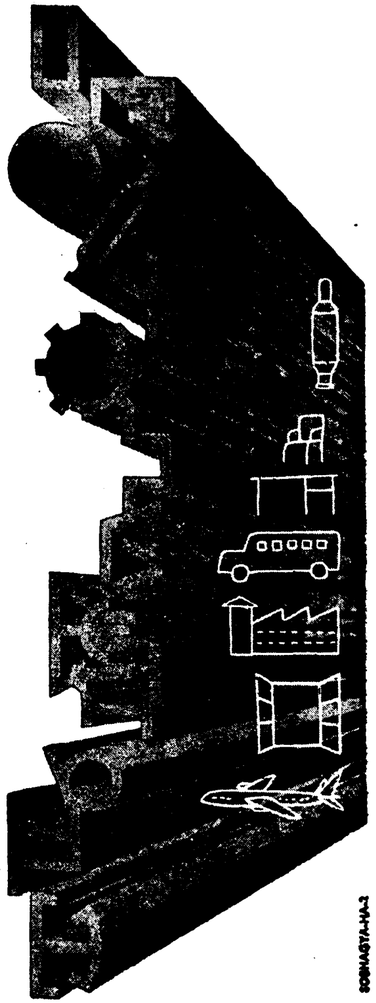


SOBHAGYA-HA-2

The moving finger writes

IF THE Prime Minister has been having a difficult time in Parliament lately, she has only herself to blame. The Flag incident at the Red Fort on Independence Day is not something which she could have expected to dispose of merely by shrugging her shoulders. In mere prudence she should have volunteered to share the sentiments expressed in Parliament over the arrangements for the Flag hoisting having gone awry.

Again, how could she have expected any self-respecting Parliament to put up with the equivocal manner in which she reacted or rather responded to the impertinent suggestion of the Tamil Nadu Chief Minister that that state is entitled to have a flag of its own apart from the National Flag? Her contention that Mr Karunanidhi's proposal implied no slight to the National Flag was clearly unacceptable since what Mr Karunanidhi had proposed was that the National Flag could be relegated to a corner in the state flag of his conception. Even apart from this detail, how can a Prime Minister, who has sworn to defend the Constitution, so forget her solemn responsibilities of office, as even appear to concede the plausibility of a plea for individual state flags especially in the context of the centrifugal forces which currently threaten national unity and national security? It may be argued on Mrs Gandhi's behalf that she was only attempting to function in the strict manner of a leader of a federal democracy when she agreed to have Mr Karunanidhi's proposal considered by the Chief Ministers of the states of the Republic. In my view, there is more demagogy than democracy in such a posture on the part of the Prime Minister. It is obvious that Mrs Gandhi is only too apt to bend over backwards in placating groups whose support has become a condition of survival for her.

As for Mr Karunanidhi, the habit of writing scenarios for films apparently dies hard. Three years after it came to power on the tidal wave of high popular expectations, the DMK administration finds itself exposed to growing public distrust and contempt for its unashamed indulgence in corruption at all levels of public administration as well as party hierarchy. Mr Nedunchezhiyan apart, very few of the active leaders of the DMK ministry or the party now enjoy anything like a reputation for integrity. At this rate, there could well be a revolt by the puritan minority within the organisation itself in the critical pre-election period which national and state politics will soon be entering.

If it is part of the calculations of the Chief Minister of Tamil Nadu that he can divert his party's or the larger public's attention from the sins of commission or omission of which the DMK leadership may be guilty, by dramatising fanciful regional claims and demands, he is being false to his own reputation for common sense or political shrewdness. With a resurgent Congress organisation under Mr Kamaraj's leadership now become strong enough to compel the DMK ministry to enter a debate on real issues, Mr Karunanidhi will be wise to think again. Meanwhile, the resignation of Mr S.K. Sambandhan (Member of Parliament, elected on a DMK ticket) from that party and his decision to sit in the House as an Independent is a warning to Mr Karunanidhi that high-handedness and strong-arm methods may help to bolster his sense of self-importance but is unlikely to serve the basic interests of a political organisation which has yet to reach maturity as a truly democratic political party.

* *

The Indian Engineering Association which held a seminar on "Engineering Industry in the Seventies" in the capital last week to mark its 75th anniversary, had every reason to congratulate itself on the useful quality and direction of the discussion. If a good part of the credit for this belongs to Mr Sanjoy Sen, chairman of the association, even a larger part of it should go perhaps to Mr T.S. Swaminathan, Secretary, Ministry of Industrial Development and Internal Trade, who guided a part of the proceedings which related to the problem of raw materials. While Mr Swaminathan recognised the legitimacy of the engineering industry's preoccupation with current shortages of key materials, such as steel, as emphasized in the discussion, he very properly pointed out that a seminar on the prospect for the seventies would not be fulfilling its purpose if it was not going to look beyond today or even tomorrow. The long-term perspective, in other words, could not be ignored in such a discussion.

Having thus set the sights right, Mr Swaminathan spoke inspiringly of how the continuing advance in technology might be expected to alter beyond recognition contemporary concepts of materials or their management in engineering as in other industries. He suggested that steel, which seemed so vital to the sustenance of the engineering industries at present, might well lose its importance as the basic raw material as the possibilities of substitutes are explored and exploited in the years to come. He mentioned that not only plastics but toughened glass could well become a major raw material in the fabrication of engineering equipment and goods. Relating this vision of the future to what needs to be done today, he recommended that the Indian Engineering Association should take the initiative in setting up a "thinking cell' of a small number of intellectually adventurous innovators in the industry and encourage them to think boldly and even rashly of the revolutions that could be anticipated in the fast-changing technology of industry in the seventies and beyond. All this was heady stuff to listen to. Only, Mr Swaminathan omitted, tactfully perhaps, to say what relevance that incredibly impossible fifth wheel in his ministry, the Directorate General of Technical Development, has to the entrancing vision he conjured of Indian industry moving forward to take its place with advancing industry in other parts of the world.

* *

Referring to my comments in *Eastern Economist* of August 7 on the performance of the STC, the Chairman, Mr P.L. Tandon, writes in part:

"I think you were over-generous. I do agree with you — and this is something I often say — that the public sector is such virgin ground that the first seed broadcast bring forth a rich harvest, for which one should be careful not to take too much credit. For instance, bringing down our inventories from the ratio of 33 per cent to under 10 per cent and consequently the overdraft from over Rs 20 crores to a surplus of one crore rupees were both exercises simple in their extreme for managerial skill. I literally said 'let us cut stocks' and stocks came down!

"Regarding your other point about vigilance on procedures, checks and inspections, I am fully conscious of the need. In fact, I am in the midst of a quite complex exercise in this respect. But, of course, as you rightly remarked, the best vigilance is a fast moving system that allows no delays, and therefore no exploitation of the customer.

"Regarding your last comment about socio-economic cost, and may I add benefits, I would like to discuss it with you some time both as a citizen and as a manager. I think it has a catalytic value which cannot be underestimated, provided it is done skilfully and efficiently. Japanese trading houses, tantamount also to state trading, are a good example."

V.B.

Trade Winds

CASHEW CORPORATION

IN PURSUANCE of the government's policy to canalise imports through public sector agencies, the Ministry of Foreign Trade has decided to manage the import of raw cashewnuts with effect from September 1, 1970. Nearly 200,000 tonnes of raw nuts, accounting for almost three-fourths of the industry's requirements, are imported every year from east African countries. Cashew processing industry is a labour intensive industry and employs more than 100,000 workers.

During the last few years. the east African countries have set up mechanical plants for processing raw nuts. Although the results achieved so far have not been very good as a large percentage of nuts are broken in the process, the demand from these mechanised units has been responsible for a steady increase in the prices of raw nuts. Whereas in the longer run, the solution lies in increasing our own production, for which the Ministry of Food and Agriculture is taking necessary action, in the short run, both for exports and for maintaining the industry, which employs a huge labour force, imports of raw nuts are essential.

The present level of imports are around Rs 30 crores per year. Due to unhealthy competition amongst the importers, the prices of raw nuts have shown a steep rise. In order to be in a better bargaining position, *vis-a-vis* exporting countries and to ensure uninterrupted supplies of raw nuts at reasonable prices, it has been decided to canalise the imports of raw nuts with effect from September 1, 1970.

The Cashew Corporation of India, a wholly owned subsidiary of the State Trading Corporation of India, will be registered shortly. The STC has the necessary means, the skill and the expertise to handle efficiently the import of raw nuts and distribute them to the processing units at fair prices.

The authorised capital of the Cashew Corporation will be two crore rupees and the subscribed capital Rs 50 lakhs and it will have its headquarters in Cochin. The import, distribution and pricing policies will be decided by the corporation in consultation with the Ministry of Foreign Trade. The Cashew Corporation will thus help the industry in obtaining its requirements of raw nuts at fair prices and in maintaining and further expanding its export markets. It will be the endeavour of the Cashew Corporation to effect the change from the present system of imports to the proposed canalised system smoothly, and to utilise, in its efforts, accumulated skills in the field of import trade. The corporation will organise its operations in such a way as to cause minimum dislocation to trade and industry. In this difficult task, the corporation will need the help and co-operation of all concerned.

NEW BUSINESS BY L.I.C.

The total new business of the Life Insurance Corporation in July 1970 amounted to Rs 73.03 crores, involving 93,186 policies. Of this, foreign business accounted for Rs 66 lakhs. During the month, the western zone of the corporation topped the list of new business with Rs 23.70 crores, followed by southern zone Rs 19.75 crores, eastern zone Rs 10.75 crores, northern zone Rs 9.29 crores and central zone Rs 8.88 crores. The total new business completed by the corporation during the period April to July 1970, was of the order of Rs 193.88 crores as against Rs 175.28 crores of new business during the corresponding period last year.

WORLD BANK INTEREST RATE

The World Bank is to increase its interest rate charges on new loans to developing countries to 7-1/4 per cent from seven per cent — the first change since August last year, bank sources stated recently. The increase results from higher borrowing costs on world capital market. Although the higher rate has been in effect since August 1, the bank has not issued any loans since then.

FOREIGN TRADE IN JUNE

Provisional figures of India's foreign trade in merchandise during June 1970 are shown below together with comparative figures for the corresponding period of last year:

E.C.G. PAPER

Gadgets and Appliances, Jaipur, proposes to expand the capacity of ECG heat sensitive paper used for electrocardiograph machines from the present 4,000 feet a year to nearly 7,500 feet during the next two to three years. This has been found necessary in view of the increased demand following the implementation of the fourth five-year Plan under which increased number of hospitals are to be built. The company is the only producer of ECG paper in the country and claims to have fabricated and designed the entire machinery within the country, and has developed the chemical process indigenously. Till recently the demands in the country of nearly 4,500 feet of ECG paper was being met through imports from the hard currency countries such as the USA, West Germany, Japan and the United Kingdom. The managing director of the company has stated that the quality of paper produced by this company is equivalent to that of the imported one. Moreover, the company is manufacturing paper in all sizes to suit various machines purchased by the hospitals over the years.

It has also been pointed out that the ECG paper supplied by the Gadgets and Appliances costs nearly 40 per cent less than that of the imported equivalent and this reduced cost of production has been achieved by the company by evolving a mechanised process which needs comparatively less labour thereby recording high productivity The managing director has complained that the Indian consumers, mostly the hospitals, continue to import ECG paper because the government has not placed any restrictions on its import and most of the quantity is imported along with 'miscellaneous equipment' by hospitals. It has also been stressed that most of the hospitals are not very conscious of price and use the imported ECG paper under the incorrect impression that it must be superior to the indigenous quality. In view of the fact that the paper has been proved to be of equivalent quality by many defence and civil institutions in the country, the union government should impose some kind of restriction on the import of ECG paper and thereby encourage the process of import substitution.

(In crores of rupees)

	June 1970	June 1969	Cumulative totals for April to June	
			1970	1969
Exports (including re-exports)	93.93	114.15	340.03	349.76
Imports	132.64	114.90	402.79	366.00
Trade balance	(—) 38.71	(—) 0.75	(—) 62.76	(—) 16.24

CEMENT OUTPUT

Cement production in this country was higher at 6.62 million tonnes during the first half of 1970 compared with 6.40 million tonnes in the corresponding six months of 1969. Despite the improvement in production by 210,000 tonnes, the utilisation of capacity in the industry declined to 83.9 per cent for the first six months of 1970 from 89.41 per cent recorded in the corresponding period of 1969. The decline in capacity utilisation followed a rise in rated capacity to 7.88 million tonnes for the first six months of 1970 from 7.16 million tonnes registered for the corresponding period of the previous year. Despatches tended to match cement output and amounted to 6.60 million tonnes for the first half of 1970 against 6.43 million tonnes for the first half of 1969.

JOINT PLANT COMMITTEE TERMS

The Joint Plant Committee has decided to relax the stipulation for payment of earnest money along with indents for steel items with immediate effect. Announcing this to newsmen recently the chairman of the JPC, Mr. S.S. Sidhu, said the relaxation had been made to ensure equitable distribution and to prevent over-indenting and also in the interest of actual consumers, small industries and traders. He said complete exemption had been granted in the case of both central and state government departments, public sector undertakings civic and other semi-government bodies, associated companies, contractors of the main producers, foreign embassies in India and parties in neighbouring countries against quota certificates and for steel items distributed on annual entitlement system.

WAGONS FOR HUNGARY

Hungary is believed to have decided to enter the Indian market in a big way and has taken a decision to buy railway wagons costing six crore rupees in the next year. In addition, it has decided to set up a tractor manufacturing plant in collaboration with a Calcutta firm and it is likely to be established in Bharatpur, Rajasthan. The factory is expected to manufacture UE 28 and UE 50 type tractors which are presently used in Hungary and are also being exported to the UK and from there to other countries. These tractors are fitted with Parkinson engines and have been found "fit" by the Budni testing station. The Indian collaborators will also use the same engines since they are being manufactured in this country by Crompton-Parkinson.

NAPHTHA CRACKER PLANT

Dr Triguna Sen, union Minister for Petroleum & Chemicals and Mines & Metals, has affirmed at the meeting of the Consultative Committee of Members of Parliament for the Department of Petroleum & Chemicals that the Naptha Cracker Plant of the Gujarat Petro-Chemical Complex would go on stream by the end of 1972. The minister explained that wherever the parties, to whom letters of intent for downstream projects had been issued, had made progress, they had been asked to go ahead. It was only in such cases where no progress was made by the concerned parties that the government was preparing alternative schemes to be taken up in the public sector. This was necessary if the naphtha cracker was not to run in loss.

Dr Triguna Sen described the steps taken regarding the revision of the agreements with the foreign oil companies, and added that he was awaiting the replies from the three oil companies with whose representatives he had a meeting recently. He expressed the hope that it might be possible to amend the agreements in the next three months.

INVENTIONS AWARDS

The highest Independence Day Award of Rs 10,000 has gone to Messrs A.C.K. Krishnaswami and Hariprasad for developing an improved process and plant for carrying out fermentation of tea leaves. The second highest award of Rs 8,000 is being given to four inventors:—M/s R. Dasgupta, N.S. Jayasimha K.S. Sitarama Rao and R.Y. Narayan for developing a split armature telephone receiver. So far the board has given 257 awards totalling Rs 2.6 lakhs and sanctioned grants to the tune of Rs 5.57 lakhs for the development of 309 items. The board has Mr M.S. Thacker as President and prominent industrialists and representatives of government organisations as members. The awards are made on the recommendation by a Price Award Committee headed by Major-General Pratap Narain.

The recipients of other awards included Mr D.S. Likhari of Hindustan Zinc Ltd, Udaipur (Rajasthan), who has been awarded Rs 2,000 for the development of a centrifugal blower lined with indigenously available fibreglass reinforced polyester resins. Prof V.A. Altekar, Director, National Metallurgical Laboratory, Jameshedpur gets an award of Rs 2,000 for developing a process of electrothermal dust smelter to convert waste zinc hydroxide sludge, a by-product of sodium hydrosulphite plant, into superfine zinc dust. Dr. M.R. Krishnamurthy, Dr V.V. Sastry and Mr K.C. Rajaraman of Regional Engineering College, Tiruchirapalli have been awarded Rs 2,000 for developing a single phase induction motor with single winding and reduced size at no substantial increase in price. Dr T. Ramamurthy of the Indian Institute of Technology. New Delhi, has claimed an award of Rs 1,000 for designing a multi-purpose triaxial apparatus for testing soil specimen for shear strength, consolidation and swelling characteristics under three different principal stresses. Messrs A.R. Rajagopalan and C.R. Krishnamurthy of Sri Krishna Tiles Potteries Pvt. Ltd, Madras, have been awarded Rs 1,000 for developing a compressed air automatic stoker and timer for feeding metered quantities of coal dust into a number of firing lines in a brick or tile kiln. Mr Mahinder Kumar Bermon of Indian National Scientific Documentation Centre, New Delhi, gets an award of Rs 1,000 for developing a microfilm reader-cum-xerographic printer. Dr H.V.K. Udupa and M/s S. Sampath, K.C. Narasimham, M. Nagalingam, C. J. Raji and P. Govinda Rao, scientists of Central Electro-Chemical Research Institute, Karaikudi, have been awarded Rs 1,000 for developing a single-step process of electrolytic production of perchlorates directly from sodium chloride solution. Mr Anandi Charana Ojha, a blacksmith of Dist. Balasore (Orissa) has been awarded Rs 500 for developming a simple hand-operated machine for cutting arecanuts. Mr Jawala Prasad of Muzaffarpur (Bihar) has been awarded Rs 500 for developing an improved direct reading standard time sundial provided with tilting facility to match the local latifude. Mr A.H. Devadas of Bharat Heavy Electricals Ltd, Hardwar, has been awarded Rs 500 for developing a rotating magnetic field for visually demonstrating electromagnetic phenomena like 3-phase stator fields, rotating constant amplitude magnetic field, reversal effect or phase sequence, single phasing and pole-formation. Mr P.V. Cheriyan of Oceanographic Laboratory, Cochin (Kerala), gets an award of Rs 500 for designing a water circulating apparatus for aquaria. Mr V. Thiagarajan of Madras has been awarded Rs 500 for developing an instrument to draw ellipses from circular holes on an inclined plane by projecting on a horizontal plane. Mr. M.A Rangarajan of Bombay has been awarded Rs 500 for making an inexpensive leakage tester meant for determining leakage in electrical components like condensers, transformers, chokes and valves. Mr T.S. Gopalakrishan Iyer of Central Institute of Fisheries Technology, Ernakulam, has been awarded Rs 500 for developing a humane method of cutting froglegs.

THE RIGHT KIND OF CLOTH/

J.C. FABRICS

SPECIALITIES :

SUITINGS
SHIRTINGS
LENOS
POPLINS
TOWELS

ROLLER &
SCREEN PRINTS
TAPESTRIES
DHOTIES
SAREES

ETC. ETC.

MARK OF QUALITY

Jiyajeerao COTTON MILLS, LTD.
BIRLANAGAR (M.P.)

Company Affairs

SUTLEJ COTTON

SUTLEJ COTTON Mills Ltd has produced favourable results for the year ended March 31, 1970, with a rise in its gross profit to Rs 71.29 lakhs from Rs 45.32 lakhs for the previous year. The directors have proposed to maintain its equity dividend at Rs 1.30 per share of Rs 10 each. Out of the gross profit, depreciation claims Rs 8.32 lakhs, taxation Rs 19.37 lakhs and development rebate reserve Rs 6.70 lakhs, leaving a net profit of Rs 36.90 lakhs against Rs 26.51 lakhs. This surplus has been disposed of by transferring a sum of Rs 23.25 lakhs to the general reserve after providing for the proposed dividend which will absorb Rs 13.65 lakhs.

ZENITH STEEL

Zenith Steel Pipes Ltd is facing acute shortage of steel, its principal raw material. This shortage has affected the company's working for the first 3-1/2 months of its current year adversely, the sales dropping to Rs 185 lakhs from Rs 201 lakhs and the production to 8,933 tonnes from 10,450 tonnes for the corresponding period of the previous year. The production includes 7,954 tonnes of galvanised pipes against 9,440 tonnes. The company has been striving hard to get more steel but it has not had much success so far. It has already made arrangements to import steel but it will be costlier because of the premium commanded by replenishment licences. The company's application for imports is awaiting the government's sanction and it hopes to get about 25 per cent of its last year's consumption. The imported supply is, however, expected to be costlier by about Rs 500 per tonne compared to the indigenous material. The company has plans to double its production capacity to 72,000 tonnes and the necessary application for this sanction has already been made. Meanwhile, the production in the tools manufacturing division has improved this year with a better raw materials position and it is expected to make a good contribution to the current year's profit of the company. Exports of pipes yield a marginal profit and enable the company to import its raw materials. The total exports during the first three and a half months of the current year have aggregated to 2,273 tonnes valued at Rs 28.05 lakhs f.o.b. against the 1969-70 exports of 18,900 tonnes, the shipments dropping from 986 tonnes in May to 267 tonnes in July, although the quantity for August is expected to be higher at about 400 tonnes.

BIRLA COTTON

The preliminary statement released by Birla Cotton Spinning and Weaving Mills Ltd reveals a net profit of Rs 9.13 lakhs for the year ended March 1970 against Rs 10.54 lakhs for the preceding year. These figures are arrived at after providing Rs 19.49 lakhs for depreciation, Rs 4.99 lakhs for development rebate reserve and Rs 9.30 lakhs for taxation. The directors have proposed to maintain the ordinary dividend of one rupee per share and this is payable out of general reserve to which the whole profit has been transferred.

BOMBAY DYEING

The directors of the Bombay Dyeing and Manufacturing Co Ltd have proposed an interim dividend of a rupee per share for the current year.

TITAGHUR PAPER

The directors of the Titaghur Paper Mills Company Ltd have skipped the dividend on the A and B ordinary shares for the year ended March 1970. The dividend on the preferred ordinary shares is, however, maintained at 13 per cent. The directors have also decided to recommend an interim dividend of 30 paise per share on the A and B ordinary shares for the current year payable on or after October 30.

MUKAND IRON

Mukand Iron has reported an increase in its earnings for the year ended March 31, 1970. Consequently the directors propose to raise the equity dividend to 12 per cent for the year from 6 per cent paid for the previous year. The company had skipped the dividend for 1967-68. The company's gross profit has increased to Rs 188.38 lakhs from Rs 71.11 lakhs despite a modest decline in sales to Rs 15.07 crores from Rs 16.35 crores. Out of the gross profit, the directors have proposed Rs 57.44 lakhs for depreciation. As in the previous year, no provision has been made for taxation. The allocation to the development rebate reserve amounts to Rs 103 lakhs. This leaves a net profit of Rs 27.93 lakhs against Rs 14.86 lakhs. After writing back excess provision amounting to Rs 2.33 lakhs, the surplus available for disposal amounts to Rs 30.26 lakhs. The proposed equity dividend will claim Rs 29.35 lakhs. The surplus of Rs 90,325 is transferred to the general reserve.

PREMIER TYRES

A prolonged strike of 80 days in the factory has affected the working of Premier Tyres Ltd during the year ended March 31, 1970. Sales have come down to Rs 7.23 crores from Rs 9.07 crores and the gross profit to Rs 37.76 lakhs from Rs 79.41 lakhs. The directors have decided to cut the equity dividend from 10 per cent to eight per cent for the year. The factory has worked for 191 days during the year against the normal working of 285 days including 15 days lay off for annual boiler inspection. Out of the gross profit of Rs 37.76 lakhs, the directors have provided Rs 20.63 lakhs for depreciation, Rs 4.51 lakhs for development rebate reserve and Rs 50,000 for taxation. The net profit thus works out lower at Rs 12.11 lakhs. The directors have transferred Rs 12.21 lakhs to the general reserve. Equity and preference dividends amounting to Rs 16.23 lakhs will be paid from the general reserve. This year there will be a net drawing of Rs 7.12 lakhs from the general reserve for payment of dividends.

PREMIER AUTO SALES

According to the preliminary figures released by the Premier Automobiles Ltd during the year ended June 30, 1970, the turnover is expected to be around Rs 32.41 crores compared to Rs 30.22 crores in the previous year. The company has sold during 1969-70, as many as 12,034 Fiat cars and 3,936 trucks against 12,220 cars and 3,727 trucks a year before.

SYNDICATE BANK

The directors of Syndicate Bank Ltd have proposed a dividend of 20 per cent for the year 1969 and an interim dividend of 10 per cent for the current year. The bank has earned a net profit of Rs 3.91 lakhs after providing for taxation and making other adjustments.

DHARANGADHRA CHEMICAL

Dharangadhra Chemical Works Ltd will enter the capital market on September 1, 1970, with an issue of 35,000 9.5% redeemable cumulative third preference shares of Rs 100 each (free of companies' tax but subject to deduction of tax at source at the prescribed rates). The issue will close on September 17, 1970, or earlier at the discretion of directors but not before September 5, 1970. The proceeds of the issue will be utilised for redeeming 7.8 per cent cumulative redeemable preference shares of Rs 100 each, of the face value of Rs 35 lakhs. The company has an authorised capital of Rs 3 crores and issued subscribed and paid-up capi-

tal of Rs 2.59 crores. The entire issue has been underwritten by the LIC, Unit Trust of India, New India Assurance Company Ltd and Dhirajlal Maneklal Pursothumdas.

BANK OF INDIA

The directors of the Bank of India Ltd have declared an interim dividend of eight per cent for the current year. The dividend for the year ended December 1969 has been passed over. The company paid a dividend of 18 per cent for the year 1968.

SIMCO METRES

Simco Meters Ltd has recorded during the year ended March 31, 1970, a profit of Rs 12.10 lakhs against Rs 5.58 lakhs in the preceding year. The directors have recommended a dividend of 10 per cent on equity shares. Depreciation claims Rs 2.41 lakhs against Rs 2 35 lakhs. Development rebate reserve gets Rs 6.43 lakhs against Rs 90,000, taxation Rs 0.42 lakh and loan amortization reserve Rs 0.40 lakh. The proposed dividends will absorb Rs 3.45 lakhs. The balance of Rs 13,000 is carried forward. The turnover has recorded an increase of 67 per cent at Rs 94.43 lakhs. The order book for the current year is full. The directors state that though maximum demand indicators have good market, the company is handicapped by the delay in the issue of an import licence for registers which are an essential ingredient. Notwithstanding the spurt in the demand for single phase and polyphase meters, the company has decided to maintain its diversification programme with steady production of electronic components.

SARU ENGINEERING

Saru Engineering Corporation Ltd will enter the capital market with a public issue of Rs 10.61 lakhs dividend into 4,000 preference shares of Rs 100 each and 26,440 equity shares of Rs 25 each to finance its plans for the manufacture of 1,500 tonnes of aluminium alloys and 1,500 tonnes of aluminium alloy rods and wires. The subscription list opened on August 26 and closes on September 8 or earlier but not before August 31. Most of the company's items will be manufactured for the first time in India. Aluminium alloys are in great demand in the country for use in automobiles, aircraft, marine vessels, railway coaches and general engineering industries, while aluminium alloy wires and rods are used for making rivets, highly stressed parts and components of aircraft and marine vessels. The company has an authorised capital of Rs 150 lakhs and an issued and subscribed capital of Rs 14 lakhs. The factory will be located in Meerut and is expected to start commercial production by December this year. The cost of the project will be about Rs 45 lakhs which will be met by raising shares worth Rs 24 lakhs, a loan of Rs 21 lakhs from various banks and the UP Financial Corporation.

FRICK INDIA

Frick India Ltd will shortly enter the capital market with a public issue of Rs 22 lakhs in equity shares of Rs 10 each to meet its working capital for its operations including its new project to manufacture Worthington centrifugal packaged chillers in technical collaboration with Climatrol Industries, Inc, USA, a subsidiary of Worthington Corporation of America. The company has an authorised capital of Rs one crore and an issued and subscribed capital of Rs 37.70 lakhs. Presently 81 per cent of capital is held by the Hilding Company — Frick company of USA. The company has its factory at Faridabad, and is engaged in the manufacture of cooling equipment for industrial uses such as cold storages etc. Eighty per cent of its output is for industrial application and 20 per cent for comfort i.e. domestic applications. Its first licensed capacity is Rs 5 crores while its second licensed capacity is for 100 centrigufal packaged chillers valued Rs one crore. Centrifugal packed chillers are ideally suited for the air-conditioning of multistoreyed buildings in the chemical and petrochemical industries. The company expects to complete its first installation of centrifugal unit before the end of 1970 in one of the skyscrapers in Bombay.

LARSEN AND TOUBRO

Mr H. Holck-Larsen, Chairman of Larsen and Toubro Ltd has indicated that the year 1970-71, will prove to be an exceptionally good year for the company. His hope is based on the fact that the company's turnover for the first four months has risen by 65 per cent to Rs 5.31 crores. Besides, the backlog of orders on July 31, 1970, was Rs 24 crores against Rs 18 crores a year before. The production in the company's workshops has kept pace with the rise in the turnover. Barring unforeseen circumstances, the total turnover this year is expected to be substantially higher than the previous year. The directors are confident about maintaining the dividend for the current year. The company's general policy is to plough back profits to strengthen its reserves position. The company has applied for industrial licences to manufacture machinery for rubber tyres, some products in the electronics industry and agricultural machinery. when sanctioned, these schemes will need extra financial resources and the management will approach the shareholders at the appropriate time. The company has no plans for merger with any banking or industrial company.

TATA POWER COMPANIES

Three companies in the Tata group of electric companies have reported their results for the year ended March 31, 1970, with higher sales and profits. All the three companies have proposed a final equity dividend of seven per cent. for the year. Together with the interim dividend of five per cent already paid, the total dividend is 12 per cent for the year, the same as was paid for 1968-69.

Tata Power

Sales of the Tata Power Co. Ltd have risen to Rs 16.44 crores from Rs 14.08 crores and the profit after providing for depreciation and managing agents' remuneration to Rs 210.57 lakhs from Rs 160.81 lakhs. The provision for development rebate reserve is Rs 40.89 lakhs and for other statutory appropriations Rs 49.92 lakhs. After making some adjustments the amount available for disposal is Rs 119.87 lakhs. Interim preference and equity dividends absorb Rs 36.22 lakhs. General reserve gets Rs 83.60 lakhs. Final dividends will absorb Rs 47.57 lakhs and paid from the general reserve.

Andhra Valley

Sales of the Andhra Valley Power Supply Co. Ltd have increased to Rs 10 crores from Rs 8.64 crores and the profit after providing for depreciation and managing agents' remuneration to Rs 113.77 lakhs from Rs 88.71 lakhs. The provision for development rebate reserve is Rs 25.02 lakhs and for other statutory appropriations Rs 28.99 lakhs. The amount available for disposal is Rs 63.71 lakhs. Interim dividends had absorbed Rs 21.15 lakhs. A sum of Rs 42.50 lakhs has been transferred to the general reserve from which final dividends absorbing Rs 27.82 lakhs will be paid.

Tata Hydro

The Tata Hydro-Electric Power Supply Co. Ltd has reported higher sales of Rs 6.85 crores (Rs 5.92 crores) and profit, after providing for depreciation and managing agents' remuneration, of Rs 94.53 lakhs. The provision for development rebate reserve is Rs 22.16 lakhs and for other statutory appropriations Rs 20.73 lakhs. The amount available for disposal is Rs 45.39 lakhs. Interim dividends have absorbed Rs 16.33 lakhs. General reserve gets Rs 29 lakhs from which final dividends absorbing Rs 21.60 lakhs will be paid.

RECORDS AND STATISTICS

IEA Is 75

THE INDIAN Engineering Association—IEA—is a national association representing the engineering industry in India. IEA has its headquarters in Calcutta with regional offices in Bombay, Madras and New Delhi and its strength and influence reflect the support it receives from the organised sector of the engineering industry — support which has made it a premier industrial association and a national point of reference for government, the planners, financial institutions, trade unions and industry.

With the start of the change over from the manual to the mechanical processes in the last quarter of the nineteenth century and with the increasing number of manufacturers, an association known as the Engineering and Iron Trades Association (EITA) was formed in December 1895. On May 24, 1912, the name of EITA was changed to "Indian Engineering Association". IEA is, therefore, now in its 75 years of service to the engineering industry and to the nation.

IEA Objectives

(1) To provide for the engineering industry in India the names of formulating, making known and influencing general policy and to act as a national point of reference.

(2) To enhance the contribution of the engineering industry to the growth and development of the national economy and to encourage members to be progressive.

(3) To encourage the efficiency of the engineering industry.

(4) To foster good relations with government, suppliers to and consumers of the engineering industry.

(5) To encourage healthy industrial relations.

(6) To assist the engineering industry to meet its social obligations.

IEA started with 12 engineering companies and it now stands with a membership of over 500 spread throughout the country. IEA members:

- employ over 6.2 lakhs of persons,
- represent investment of over Rs 2,320 crores,
- manufacture and handle more than 2,000 groups of items,
- contribute to more than 58 per cent of the total engineering exports from India.

At present IEA structure consists of a General Committee, regional committees, divisional committees and a variety of sub-committees. Whereas the General Committee deals with all-India matters, the regional committees are concerned with regional problems and the divisional committees provide services to different sectors of the engineering industry such as boilers and pressure vessels, cranes and hoists, foundry, mining equipment, electrical engineering, ship building and repairing, railway wagons and components, sugar machinery, structural fabrication, welding, etc. There are also a number of sub-committees covering such subjects as raw materials, industrial relations, contracts, productivity, membership, collaboration, development, statistics and research, public relations, etc.

IEA Services

With the growth and expansion of the engineering industry, IEA services have multiplied and diversified. These cover a variety of subjects such as finance, industrial development, raw materials, research and development, export promotion, import substitution, supplies to government, collection and dissemination of statistics, the preparation of publications, industrial relations, industrial law, productivity, training, etc. Apart from the general services rendered by the Association, more specialised industry-wise services are made available through trade and industrial divisions, of which there are 23 at present, covering the needs of different sectors of the industry.

IEA provides regional services through offices in different centres and the local and regional problems of members are dealt with at that level. Seminars and Symposia on subjects of concern are also organised from time to time and the association liaises with a variety of chambers of commerce and other organisations, to mutual benefit. IEA also provides services to members through its representations on important central and state government committees constituted to deal with particular subjects.

Some of the more important promotional services cover:

Regional Services: A wide variety of general and personalised services benefit the regional members. The regions which concentrate on local problems, are represented on regional bodies and provide labour and other advisory services. Useful meetings with government bodies and seminars on various subjects are also organised to the benefit of members.

Specialist Divisions: The twenty-three divisions covering diverse and specialised trades and industries service the common interests and problems of the different sectors of the industry. These divisions which operate through elected committees, have added a new dimension to the association's structure and services.

Export Promotion: The association which is now recognised by government as an "approved organisation" for export, provides through its Export Services Department, personalised services to members, disseminates useful information and publishes reports on a variety of subjects covering export promotion.

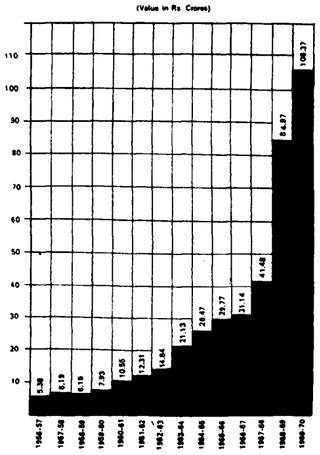
Statistical Research: The Research and Statistics Department collects and analyses data of interest to members and for use in special studies, publishes statistical information on a monthly basis and issues a comprehensive *Handbook of Statistics*, which provides a ready source of statistical and other information.

Internal Trade: The association deals with matters arising out of purchase and sale of materials, problems which impede the development and promotion of internal trade; other matters cover government purchasing policy and procedure, conditions of contract, price variation clauses, etc. i.e., all problems faced by the engineering industry in regard to supplies to government agencies.

Raw Materials: The Raw Materials Sub-Committee, deals with the entire

TREND IN ENGINEERING EXPORTS

(Value in Rs Crores)



subject of essential raw materials. The association has done extensive work on iron and steel, and is still continuing its dialogue with the government departments concerned and the steel industry. IEA is represented on the Iron & Steel Advisory Council and it maintains close liaison with other appropriate organisations.

Research and Devlopment: The association is keen to establish close contacts between research institutions and industry and its activities are directed towards assisting industry by advising it of the research carried out by national laboratories. Information regarding new products, development of new designs, method improvement etc., is disseminated to members through publications and circulars. On the other hand, IEA is also in touch with research laboratories and keeps them advised of the industry's thinking and problems.

Import Substitution: Association members are encouraged to develop indigenous substitutes for imported equipment. Lists of imported items are compiled and circulated to members. Discussions with government authorities are also held to promote import substitution. Other activities cover dissemination of information about indigenous development of products and processes, support for exhibitions to promote import substitution, etc.

Technical Training: Apart from organising seminars on training and training courses, surveys on technical training are also conducted and result published. Close contacts are also maintained with different training institutions and appropriate government authorities for skilled manpower development.

Publications: The association's *Monthly News Bulletin* helps inform members, the public, government and the press of the wide range of association activities; this department also issues industry-wise trade directories, study reports and folders and other literature.

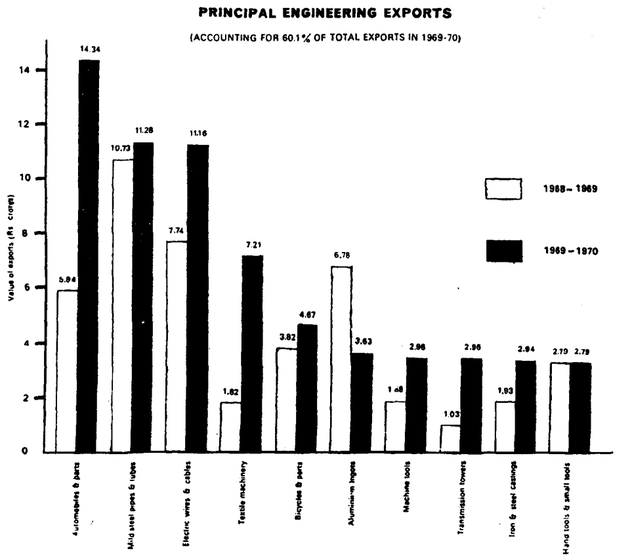
Productivity: The association takes a keen interest in developing productivity consciousness at the national level, industrial level and plant level. Surveys on productivity are also carried out from time to time.

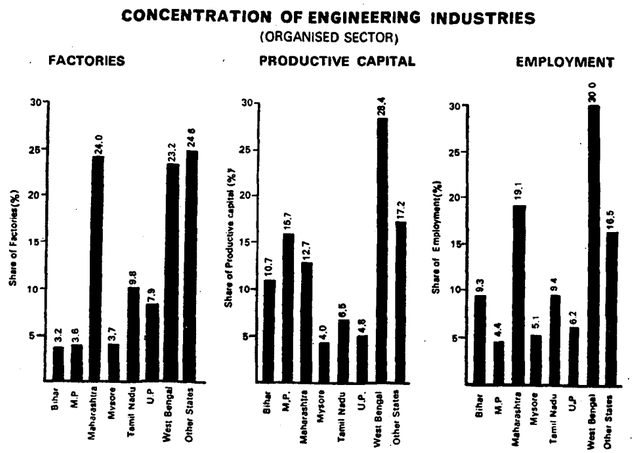
Industrial Relations: The Industrial Relations Department gives a comprehensive labour welfare legislation in solving members' individual and collective problems; maintains close contact with the central and state governments.

Industrial Law: The Industrial Law Department gives services on the legal aspects of industrial relation problems, conducts cases before the tribunals; etc.

As the Association and the industry grow, the number of services that can be provided to members develops progressively and IEA speaks for its members and fosters their interests by representing the industry's collective views on general policy matters. IEA offers practical assistance to its members in dealing with problems but, it does not function merely as a representing body but also as an advisory body both to government and to industry.

Any company employed in whole or in part in automobile, civil, mechanical, structural, metallurgical, electronic, elecrical, chemical, agricultural, marine or other forms of engineering activities, or employed in the design, production, distribution, maintenance or repair of engineering goods, or providing engineering consultancy services, are eligible for membership of the IEA. Any association having engineering or allied interests may join IEA as an affiliate member.





Abs Delegation Report

THE WEST German industrialists and bankers led by Mr Herman J. Abs visited this country from January 11 to 26 this year in order to assess the climate for investment and explore possibilities for Indo-German collaboration. The delegation had a series of meetings with various ministries of the Government of India, state governments, chambers of commerce, businessmen and industrialists. The delegation has, in its report, lauded the economic progress achieved in may sectors which are likely to hamper our industrial progress. The recommendations of the Dutt Committee report, in the view of the delegation, are likely to have a negative effect on potential investors.

The report of the delegation follows:

At the invitation of the Indian Investment Centre a German delegation of industrialists and bankers led by Dr. Abs toured India from January 11th to 26th, 1970, to gain a first-hand impression of the investment climate and the various possibilities of investment. Among other places the delegation went to Bombay, Poona, Baroda, Ahmedabad, Bangalore, Madras, Vishakapatnam, Jamshedpur and Rourkela; individual companies and works were visited and discussions held with the state governments as well as with industrial and business associations and banks.

In the concluding talks with the Government of India in New Delhi the delegation had the opportunity to give its assessment of the industrial efficiency of India and name some of the prerequisites for positive decisions by German businessmen to invest in India or co-operate with Indian companies in third countries.

The following report gives the impressions gained in India and the results of the talks held. The conclusions reached by the delegation are necessarily more of a general nature; German businessmen interested in co-operation with Indian firms should examine with due care and if possible on the spot the conditions relevant to each idividual case.

A. Climate of Investment

The talks held in India showed that the government as well as the industrial and business associations and individual companies in the private sector are basically very much in favour of cooperation with German firms. German direct investment in India was repeatedly described as too low — particularly in comparison with German investment in South America — and the question was frequently raised, why German businessmen do not to a larger extent take advantage of the market and labour potential available at long term in India. In this connection attention was also drawn to the economic successes of the last few years achieved despite political and social tension in certain Indian states. The Indian government is aware of the foreign investors' hesitance with regard to future political change, particularly about the increasing tendencies towards government influence in private industry or further measures of nationalisation; the Prime Minister, Mrs Indira Gandhi, however, declared to the delegation that India will always maintain the concept of constitutional democracy and that all measures towards a solution of existing social tension will be taken on a constitutional basis.

It is of importance for the German investor that there has been agreement on the protection of capital investments between the Federal Republic of Germany and India since 1964, which forbids discriminatory treatment, ensures adequate compensation in the event of nationalisation and guarantees the transfer of profits and dividends, the proceeds of liquidation and compensation for nationalisation.

There has been considerable economic progress in India in many sectors, particularly in agriculture, technical know-how and exports. Industrial development could certainly be further stimulated under an economic policy directed to this aim and allowing even more scope for private initiative, which is abundant in India. At any rate, in view of the less favourable experience with large enterprises in the public sector during the last few years the priority given to an extension of the economic activities of the public enterprises does not seem to be the best solution economically; in some sectors it also impedes the success of private enterprise. The tendency to increased government influence in the private sector as it is revealed especially by the recommendations of the Dutt Committee, probably has a negative effect on potential investors. The administrative difficulties and delays in granting the necessary government licences for the establishing, extension and supply of private companies in India already require so much planning and human effort that many an investor, despite the market potential and investment incentives offered by India, prefers to employ his capital in countries with less red-tape.

The Indian government has recognised that this constitutes a disadvantage and informed the delegation that proposals for foreign investment would in future be dealt with more flexibility. The establishment of the Foreign Investment Board is to help shorten the authorisation procedure. Import licences for equipment, raw materials, accessories and spare parts — particularly for export-oriented industries — are to be more readily granted. According to Mrs Gandhi the Indian government also intends to be undogmatic in future in approving and prolonging licence agreements and majority holdings.

Altogether the delegation gained the impression that the Indian government will continue to encourage foreign investment. Considerable tax incentives (there has also been a Double Taxation Agreement with the Federal Republic of Germany since 1959), the transfer of profits, in the whole very smooth despite the high degree of foreign indebetedness, the admirable standard of education and training achieved by Indian workers, the efficient and well-organised credit facilities, the relatively good infrastructure in wide areas of India and the generous support offered by many state governments are not uninteresting to foreign investors.

B. Obstacles to Investment

The delegation did not hesitate to draw attention during the talks to numerous obstacles in the way of the stronger engagement of German firms in India desirable from the Indian point of view.

In this connection in the legislative sphere the planned reduction in patents protection (the draft of the new bill is at present before Parliament) and the limitation on tax exemption for foreign experts (as drafted in the Taxation Law Amendment Bill 1969) effective as from April 1, 1970 were mentioned. As the Indian government informed the delegation, the recommendation of the Dutt Committee (that the power given to the government under the Companies Act — to convert government loans to private companies into participations — shall be extended to all public financial institutions) will not be implemented through the legislature. It will be left to the financial institutions to decide in each individual case whether to protect their rights they will insert a corresponding clause into the loan contract, whereby, however participation even in the management of the company seeking the loan may be possible.

In the administrative sphere the multiplicity of competencies, the complicated administrative guidelines and the slow licence procedure at every stage were criticised. The delegation also pointed out that the imposition of short-term export quotas when granting licences for the foundation of new companies in the industrial sector was often unrealistic; moreover the request for world-wide export freedom presupposes in a number of cases recognition of a permanent partnership which, however, is not possible under the licence practice in India.

Doubts were voiced above all concerning the tendency of Indian autho-

rities to make decisions on applications for the extension and alteration of existing joint ventures dependent on a reduction of the foreign participation and an alteration of the co-operation agreement to the disadvantage of the foreign partner. The leader of the delegation also drew Mrs Gandhi's attention, in the final talk, to the necessity of maintaining the confidence of the foreign investor. Observation of the principle *pacta sunt servanda* for existing joint ventures would also effect the decisions of new investors. They, and the old investors, should be able to rely on the fact that not very opportunity was exploited to alter the conditions of the partnership to their disadvantage. This was in principle acknowledged by Mrs Gandhi.

However, she regarded the conclusion of unlimited co-operation agreements with foreign firms as irreconcilable with Indian economic policy. It was the aim of every developing country to increase the efficiency and the technical know-how of domestic firms. — In the question of limiting licence agreements to a certain period and amount — usually only agreements for five years and for licence fees of 3 to 5 per cent are approved — she indicated a more flexible attitude on the part of the government "according to the individual circumstances." The delegation on various occasions drew attention to the difficulties raised by Indian authorities in granting labour and resident permits for foreign experts. The Indian side in turn complained that in the past foreign firms had sometimes introduced poorly qualified staff at excessive cost into Indian joint enterprises. However, both government and industrial representatives agreed that also in the future it would be necessary to take in foreign key personnel to avoid disruption of the production process and attain a better quality for Indian products.

C. Possibilities of Investment

The Indian Investment Centre gave the delegation the surveys of those sectors of industry where co-operation with German firms in the form of licence agreements or capital participation is particularly desired. The leader of the delegation agreed to make these surveys sufficientnly known to German industry and to support Indian efforts to gain co-operation with German firms.

On the strength of its observations in India, the delegation feels justified in stating that in view of its long-term market potential and the good labour potential already available, and with due allowance for the political and economic risks that individual enterprises may incur, India does offer opportunities for successful joint ventures or partnership arrangements in some other form. The interest of Indian industrialists in co-operating with German firms in the fields of advanced technology, particularly electronics, petrochemistry, ship-building and specialised mechanical engineering, is gratifyingly keen. Good investment opportunities are available particularly for medium-sized and small firms; difficulties in choosing a partner could be overcome with the help of the Indian Investment Centre and the Indian development banks. Co-operation with large companies in India will be more difficult in future, in view of the recent reformulation of the Indian government's policy on industrial licences, whereby in future investment will only be permitted in certain sectors ("core sector") and even there may be only in joint ventures with the public sector ("joint sector").

More differentiated arrangements would be advisable for future investment in India to take more account of the different economic conditions. Foreign majority holdings will only be possible, and can only be retained, in a few cases — where the products need high research and development costs and have a trademark. During the talks, however, the Indian government also showed understanding for the fact that licence agreements alone do not always suffice to give the foreign investor a guarantee that the standard of quality will be maintained and enable him to include the Indian joint venture in his world-wide production and sales organisation. But certainly foreign investors will have to adapt to the in fact justifiable desire on the part of the Indian government that joint ventures should provide a larger percentage of exports as well as meeting demand on the domestic market. To increase exports labour-intensive products (with acceptable shipping costs) would be particularly suitable, the Indian partner having the pre-requisites to produce in adequate quality and meet delivery dates.

In this connection the problem of proceesssing and semi-manufacture contracts was often raised. The shortage of labour in Europe and the fact that well-qualified workers, technical know-how and engineering capabilities are available in India makes it seem expedient to give processing or semi-manufacture contracts to India. Products by the German parent company with a high proportion of wage costs and a low proportion of transport costs could be imported duty free or under proof of identity to India for manufacture or completion and from there either returned to the German market or exported to third countries. In such a procedure the question of investment, capital expenditure and participations would play a less important role. The Indian side would have the positive effect in the employment and training of domestic labour and the inflow of foreign exchange through the wage costs for the finished product. The Indian government accordingly envisaged the greatest possible degree of flexibility for this form of co-operation. The practical and formal conditions (customs, EEC regulations) would have to be examined for each individual case.

As a further possibility of co-operation joint tenders for investment projects in third countries were discussed.

German firms might be interested in providing only the engineering for projects involving large, heavy equipment and high transport cost, while the production and assembly is done by Indian firms in which they might perhaps have a minority holding.

It was also suggested to set up German-Indian joint ventures in third countries, particularly in those regions where Indian industrialists — more than German businessmen — have been enjoying close relations since long.

Concluding Remarks

The visit was excellently organised by the Indian Investment Centre an enabled the delegation to gain a good overall impression in a short time of present investment conditions in India. The talks with the government and Indian businessmen were very frank and helped to promote understanding of India's problems.

The Federation of Indian Chambers of Commerce and Industries (FICCI) suggested that the exchange of views begun with the delegation be continued within the framework of a so-called Standing Group. The members of this German-Indian committee could be nominated on the one side by the Federation of German Industries (BDI) and on the other side by the FICCI in co-operation with the Indian Investment Centre.

In this committee the investment lists put forward by the Indian side could be examined, practical cases, particularly obstacles to investment could be discussed and general questions of German-Indian co-operation be studied in depth. (The results might be discussed within the framework of the annual financial negotiations between the Government of the Federal Republic of Germany and the Government of India, together with representatives of industry, with the aim of finding concrete solutions). Such continuous co-operation between business associations and industrialists of both countries would also enable German potential investors to keep up to date on changes in investment conditions in India and become better acquainted with their future partners than is possible on short visits.

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EASTERN ECONOMIST 10

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As Others See Us
LIC Breaks Faith
South Korea's Export Experience
Manpower Policy in Sweden

According to a UNI study the number of Ministers has gone up from 294 in 1961 to 455 in 1970-71. The expenditure on their salaries, personal establishments, travelling and other expenses has sharply risen from around Rs 1.2 crores to about Rs 2.70 crores over the last decade.

Things are looking up

ITC believes that research begets progress

India Tobacco Company Limited has always believed that research is the cornerstone of true progress. Its research establishment has helped to assess consumer demand and preferences, to create and develop new products in conformity with such consumer demands and then to maintain high product quality. A beginning has now been made with exporting its knowhow, acquired over the last 18 years to some countries in the East.

India Tobacco's research has also helped indigenous manufacturers of machinery, of packing materials like corrugated cardboard boxes, board for making packets, transparent film for wrapping and so on, of "components" like filter tips and cigarette paper, to set "standards" and develop new materials to substitute imports.

The well-equipped research establishment of Indian Leaf Tobacco Development Company Limited, ITC's sister concern and tobacco supplier, manned by highly qualified agronomists and scientists, has assisted for over 40 years in the development of Indian tobacco for both domestic and export purposes. Such research and development work includes fundamental activities like improving the quality of tobacco grown, the extension of tobacco cultivation in various parts of the country, pest control, yield increase of tested crop strains and innovation of new varieties of tobacco increasingly required by export markets, the supply of pure seeds and tailor-made fertilisers on credit to farmers and demonstration of the latest cultural practices.

This commitment to research has resulted in the continuous improvement of the tobacco crop with attendant benefits to 240,000 people who are dependant on tobacco cultivation, and to hundreds and thousands of others involved in the manufacture and marketing of tobacco products.

India ITC Tobacco Company Ltd.

EASTERN ECONOMIST

SEPTEMBER 4, 1970

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AS OTHERS SEE US

INDIA HAS been very much in the international news lately and the headlines have not exactly been flattering. Nevertheless, even if the elements of sensationalism common to popular journalism are to be deplored. it is apparent that the *Sunday Times* (London) has done a real service to this country as well as the Roman Catholic Chruch by bringing out some of the facts relating to the recruitment of girls in Kerala for service in convents in some countries in Europe.

It is not necessary to maintain that this "nun-running", as it has been described in the press, was a wholly or merely mercenary racket from beginning to end in order to plead that this affair or situation needs to be thoroughly investigated by the Government of India and the state government concerned so that no scope is left for any kind of exploitation of any citizen in the name of religion. As is so often the case, motives which may be intrinsically worthy, are apt to get mixed up with purposes which are far less easy to justify and on this ground, if on no other, the leaders of the Roman Catholic Church in our country should find it just and proper and also prudent to refrain, in the meantime, from sweeping justification of activities, all the ramifications or implications of which they themselves may not be fully conversant with.

For the rest, while it is incumbent on informed public opinion not to become emotive simply because phrases, such as "traffic in Kerala girls", have been freely used in press accounts, no self-respecting or sensitive citizen can feel anything but anguish at even a suggestion that there exist in our country areas of such dire poverty or family distress that parents might find it an acceptable idea to allow adolescent daughters to leave their homes for unfamiliar communities abroad.

Meanwhile, there can be little doubt that our country's image as a socially progressive and economically developing member of the international family of nations has greatly suffered as a result of the publicity which has been given by the world's mass media to the case of the Kerala girl recruits to convents in western Europe. This should further strengthen the unfavourable impressions created about this country in the minds of people abroad by television shows about life as it is lived in India. The issue is not whether these presentations are true as documentaries or false, but whether a country or its government does not have a broad right to demand that its people or their way of life should not be presented in a manner calculated to bring them, as a nation, into contempt or ridicule.

From this point of view there had to be some reaction or protest on the part of New Delhi to the recent BBC television serial which appears to have depicted the the uglier aspects of life in Calcutta through unrestrained visual pictures of poverty, squalor or worse. At the same time, it is possible to question the wisdom of the government asking the south-Asia correspondent of the BBC, positioned in New Delhi, to wind up his office and leave the country, especially when the individual concerned has had nothing to do with the television serials to which the objection has been taken. It is clear that this or similar moves on the part of the government can only result in irreparable injury being done to our country in respect of the substantial reputation it has built up as one of those rare areas in this part of the world where freedom of expression and freedom of information are cherished and cultivated to a high degree.

Again, — and this is important, indeed — what matters really to us, in the ultimate analysis, is not that our government should be able to discourage the publicity abroad of the uglier aspects of life in our country, but that we, including our government, should succeed in organising and using effectively our resources, human and material, for the elimination of all this ugliness. It is a sad truth — this is what ought to pain us most — that, 23 years after our country became independent of British rule, we are still far from even having found the right direction towards this goal. Instead, our leaders have been indulging in irrelevant rhetoric, as witness the Prime Minister lecturing about the dangers of industrial pollution when all around us we find conditions of intolerable filth simply because so many families are without access to primary sanitation facilities, whether private or even communal. It is high time that we had realised that, with

every passing hour of misdirected energy or inadequate effort on our part, this country and its people are bound to become an increasingly tempting target for mass media abroad.

LIC Breaks Faith

As a talent scout for the Prime Minister, Mr C. Subramaniam, has no doubt done her a good turn or two. His record in this respect, however, is, on the whole, a rather mixed one. This is not surprising, seeing that Mr Subramaniam has a passion for playing the good angel to friends of his youth or onwards.

The Monopolies Commission has had the good fortune of being endowed with a chairman who has a good and clean record as a member of the higher judiciary. Whether the Jawaharlal Nehru University has been similarly lucky in its vice-chancellor remains to be seen. As for the present chairman of the Life Insurance Corporation, there is reason to wonder whether Mr C. Subramaniam has done a good turn either to Mr T.A. Pai or to the institution over which the latter has been chosen to preside. This is a pity, considering that Mr Pai has a great reputation to lose as a dominant and dynamic figure from the banking world.

Reasonable time should, no doubt, be allowed to the present chariman of the LIC to learn his paces in the area of enterprise he has ventured to enter. All the same it would not be unfair to say that the first steps he has taken have not merely been faltering but grossly fumbling. It is widely reported that the recent wage settlement which the LIC struck with its staff was a product of a generous but untutored impulse on the part of its chairman, which committed the LIC to a deal the financial implications of which had not been carefully assessed beforehand. Whether this account is strictly true or not, it is obvious that Mr Pai has imposed on the LIC an increase in establishment costs which is unjustified in the context of the redundancy of its personnel and the notoriously low productivity of its employees at various levels through the years.

It may be argued that the wage settlement is only the first move in a programme for improving efficiency in the LIC through the rationalisation or organisation and methods, enforcement of desirable discipline and the development of means for rewarding merit while discouraging inefficiency, indifference or inertia. But, then, the public is yet to get any authentic information about the strategy or tactics which Mr Pai and his senior executives may have in view for this purpose. So far all that policy-holders, actual or prospective, have to comfort themselves with is an advertisement that has appeared in the press affirming the corporation's and its employees' dedication to the better service of the public.

Meanwhile, such steps as the LIC has taken until now to help meet its increased establishment costs have not been such as to inspire confidence in its advertised professions of improved performance in the period ahead. While the prevailing circumstances of credit, which make people care more for the availability of funds than for their costs, may justify the LIC in raising the rates of interest charged by it on certain types of loans, it is difficult to understand the ethics of its decision to raise the cost to its policy-holders of loans taken by them against the paid-up value of their policies. It is, indeed, strange that nationalised life insurance, while boasting about its radical socialism, should have thought it fit to penalise its policy-holders for whom a life insurance policy, by its very nature, involves a steady erosion in the value of their money through the process of inflation. Although there have been noisy assertions that nationalised life insurance would look after its policy-holders far better than private insurers could or would do (or have done), the brutal truth is that, in every detail, the interests of policy-holders have been made to suffer in all the period during which the LIC has been functioning. Whether it is the structure of premium rates, the efficiency of servicing policies or a reasonable extension of benefits offered, the LIC has been uniformly successful in discovering one reason or another for not effecting any improvement in the lot of policy-holders. Now it has been left to the present chairman of the LIC, professedly acting under the inspiration of the fashionable progressivism of the day, to withdraw or whittle down even such benefits as have been traditionally available to policy-holders.

There can be no doubt that one of the material advantages of a life insurance policy, which compensates to to some extent the disadvantages of this form of saving or providing for the future, is that a policy-holder is able to borrow against the security of his policy at an attractive rate of interest. This facility is, in fact, an integral part of a life insurance transaction. Even if it is to be contended that the LIC's decision to increase the rate of interest on such loans is not a breach of contract in a legalistic sense, it ought to be conceded, surely, that it is a breach of faith on the part of the LIC *vis-a-vis* its policy-holders. In the circumstances, it is indeed astonishing that there has been little or no criticism, either in Parliament or outside, of the LIC on this score. Here is a distrubing example of how nationalised Institutions could get away with mayhem so long as they or their mentors are able to confuse the public mind or mislead public opinion with loud and ringing proclamations of an engagingly radical nature.

Eastern Economist 25 Years Ago

SEPTEMBER 7, 1945

Apart from the serious political issues involved, the Anglo-American conference meeting this week will be of fateful importance for future world economy, at least in the near future. That it is going to affect the vital economic interests of this country is now pretty plain. A Conference at which the sterling balances, the Empire Dollar Pool, Imperial Preference and the allocation of U.S. credits between Britain's creditors, will figure as important determinants of the final U.K.—U.S. deal, is one, which we cannot afford to ignore except at our peril. Hence the Government of India must immediately make a strong representation to H.M.G. that it must be consulted before final decisions are taken. It must claim to be represented at the conference at least by an observer, whose duty it will be to keep its principal continuously informed about developments in the talks as they proceed. This will enable the Government of India to intervene expeditiously and in time, in case our interests are in jeopardy.

State Finances Brighter

The central government has been making a series of adjustments from the middle of June this year which have resulted in a substantial reduction in the quantum of deficit financing following the cancellation of *ad hoc* securities and an easing of pressure on the money market which had developed on account of the diversion of about Rs 100 crores from the banking system due to the floatation of loans of 15 state governments. The recent developments suggest that, even with liberal assistance given to the state governments, the quantum of deficit financing for 1970-71 may not be anywhere near the budget estimate of Rs 225 crores.

Even in 1969-70 the over-all deficit of the centre was only Rs 58 crores against the revised estimate of Rs 290 crores while the combined deficit of the central and state governments was lower at Rs 49 crores suggesting that the states actually closed their accounts with an overall surplus of Rs 9 crores. This was probably due to the payments that were made to the states by the central government in pursuance of the recommendations of the Tyagi Finance Commission. Besides the transfer of a larger share of central revenues there should have also been a liberal rescheduling of debt repayments. Otherwise it is not possible to explain satisfactorily the improvement in the financial position of the state governments.

The buoyancy of central tax revenues and the net additions to foreign exchange reserves have been even more impressive in the current financial year so far. It is also likely that the receipts through open market loans of the centre as well as state governments will be much more than the budget estimates, not to speak of the sizable accretions to deposits of post offices and bigger collections under the small savings campaign, that might take place. The cumulative effect of various favourable factors have obviously been responsible for the affluence of the central government and a high level of its deposits with the Reserve Bank of Rs 193.14 crores on June 19, 1970 (in the corresponding week last year these deposits stood at only Rs 99.07 crores). Such a high level of deposits has not been recorded in recent years and there was naturally a feeling that the immobilisation of huge amounts along with the continuance of a higher liquidity ratio for the scheduled commercial banks resulted in considerable pressure on the banking system especially as it was also necessary to expand credit heavily for financing the procurement operations of the Food Corporation of India.

The monetary authorities have been quick to realise the adverse effects of their contractionist policies and have been anxious to relieve the pressure on the banking system in the past few weeks consequent on the floatation of the state government loans. Thus, during the week ended June 26, 1970, the over drafts of the state governments were reduced to Rs 120.70 crores from Rs 190.56 crores. There was also a drop in central government deposits to Rs 108.67 crores from Rs 193.14 crores. There was no transfer of liabilities from one head to another as happened on previous occasions, investments during the week under reference being actually lower at Rs 112.34 crores against Rs 119.83 crores and holdings of treasury bills at Rs 10.23 crores against Rs 15.29 crores. A further big adjustment was effected in the subsequent week with central government deposits dropping again to Rs 66.55 crores and state government overdrafts to Rs 52.68 crores.

These adjustments were, however, technical in character and could not have been responsible for an injection of funds into the organised sector as what all was involved was mainly the cancellation of ad hoc securities. It should be mentioned, however, that these important changes took place without the centre taking credit for its share of profits of the Reserve Bank for 1969-70. The net amount borrowed through the long-dated loan floated in the middle of April, large tax collections and additions to foreign exchange reserves were helpful in streamlining the finances of the state governments. Subsequently the central government has taken steps to reduce borrowings of scheduled commercial banks from the central banking institution by presumably taking over part of the liability of the Food Corporation of India incurred by it in procuring food grains. This operation should have been responsible for the decline in borrowings of scheduled commercial banks during the week ended July 10 to Rs 254.14 crores from Rs 290.58 crores (just before the floatation of the state loans) and subsequently to Rs 219.93 crores on July 31. In this phase of adjustment, the share of profits of the Reserve Bank for about Rs 75 crores and the net amount of roughly Rs 100 crores raised by the state governments by state loans have been utilised. (The actual amount borrowed by the state governments after repaying loans maturing on July 15 was more than Rs 110 crores as two loans are due to be repaid only later in the year).

In the latest operations, the central government should have received payments from the state governments as the former's deposits have jumped to Rs 115.86 crores on July 31, from Rs 61.53 crores on July 24. It is noteworthy that the level of deposits of the centre is much higher than the figure of Rs 53.81 crores in the corresponding week in 1969, even without the completion of the second stage of the borrowing programme of the centre for the current financial year. It has been necessary on the present occasion to give way to the state governments for raising their requirements from the open market as many loans had to be redeemed on July 15. It must be pointed out, however, that the credit for the share of the profits of the Reserve Bank for 1969-70 has been taken earlier than usual presumably with a view to overcoming the effects of the delayed floatation of the second central loan. The adjustment relating to the profits of the Reserve Bank for 1969 were made during the week ended August 22, 1969 while they were completed in the current year during the week ended July 24. The effect of the reduction in borrowings of the scheduled commercial banks from the central banking institution following the assistance given to the Food Corporation of India by the centre has been to neutralise the strain on the banking system due to the diversion of funds for being invested in state loans.

The scheduled commercial banks are, however, still experiencing an over-extended position as even with a reduction in advances against sugar stocks, cotton and other items latterly their borrowings were at the fairly high level of Rs 219.93 crores on July 31, 1970 (according to the Reserve Bank returns) against Rs 80.65 crores during the corresponding period last year. It may be difficult for member banks to effect a substantial reduction under this head before the commencement of the next busy season unless the central government came again to the rescue of the Food Corporation of India. There may, of course, be a drop in advances against sugar and other items in the next few weeks whereas the fresh additions to deposits are likely to be absorbed to a great extent by the new central loan and the bonds that might be issued by the statutory financial corporations and public bodies. The financing of the needs of industry and trade in the next season may thus pose new problems.

While the developments in the next few months are eagerly awaited in money market circles it may be asked whether the comfortable ways and means position of the central government is due to the absence of acceleration of Plan expenditure in 1969-70. The big drop in the overall deficit of the centre to Rs 58 crores (actual) from Rs 290 crores (revised) must be only due to the allotments of financial resources not being fully utilised by the government departments though there may have been also better revenues. Similarly in the current year there has been a net reduction in holdings of rupee securities, treasury bills, investments and state overdrafts between April 3 and July 31 by about Rs 104 crores against Rs 125 crores in the corresponding period in 1969-70. It is quite likely that there may be an attempt to step up Plan outlay in the coming months. But with the prospect of brisker tax collections and larger capital receipts it should not be surprising if deficit financing was again on a restricted scale in 1970-71. This is a welcome feature. But there may be a contractionist effect if the estimates regarding Plan outlay for productive purposes were not realised. Whatever might be the ultimate outcome, it is encouraging to note that the revival in economic activity and the increasing monetisation of the economy have been helpful in mobilising resources on a scale which could not have been thought possible some time back.

Faltering Pace of Bank Deposits

THE FAILURE of nationalised banks to keep up the pace of deposit mobilisation in the first year after their takeover by the state is being explained away in a number of ways. It is asserted that nationalised banks were hampered in their efforts to increase deposits because the Government of India had been trying hard to restrain the quantum of deficit financing or the expansion in money supply. Also, the increase in prices during the past year had cut into the savings of the traditional savers in society and this had affected the rate of growth of deposits of banks. The recent prosperity in rural areas in the wake of three difficult years had increased the propensity to consume and it is likely, according to official apologists, that this has hurt the capacity of banks to mobilise deposits. That the slackening in the growth of deposits of banks may be due at least in part to the unfavourable impact of nationalisation on banking operations or efficiency, the official spokesmen or supporters of nationalisation clearly find it difficult to contemplate.

The deposits of all scheduled banks rose by 11.86 per cent in the year ended July 19, 1970, as against an increase of 13.46 per cent in the preceding year. In percentage terms, all groups of banks—nationalised, non-nationalised and foreign—recorded declines in expansion of deposits (See Table 1) In terms of absolute increase in deposits, the State Bank of India, the subsidiaries of the State Bank of India, Central Bank of India, Punjab National Bank, United Bank of India, Bank of Maharashtra and the foreign banks have shown varying improvements, though the sharp rise in the deposits of the State Bank of India (SBI) is due to the merger with it of two banks, the Bank of Lahore and the Bank of Behar. Nearly half of the rise in deposits of the SBI was due to the merger of these two banks. The deposits of each of these banks were around Rs 35 crores before merger with the SBI and if they had achieved even a rise of 20 per cent in deposits, as against an increase of 29.35 per cent in the preceding year for all banks of the same category, they would have added Rs 42 crores to deposits, thus making all these banks reach the same degree of increase as in 1968-69.

Bank deposits, no doubt are related to money supply Since money supply includes both notes in circulation and demand deposits, it is necessary to remove the common factor *i.e.*, demand deposits from both these variables to understand the impact of one on the other. In other words, the growth of deposits may be related more specifically to expansion in notes in circulation. The fact is that there has been no decline in the rate of expansion of notes in circulation in the past one year. On the contrary, as (Table II) shows, the rise in notes in circulation in the year ended June 19, 1970 at Rs 389.91 crores was higher by as much as Rs 24.87 crores than the rise in notes in circulation in the previous year. It follows that the argument that deposits of nationalised banks have not continued to grow with the same momentum as in eaerlier years because of a slower growth of money supply needs to be reconsidered.

It is not possible to establish a week-by-week relationship between bank deposits and deficit financing as the latter can be measured precisely only when the final accounts of revenue and expenditure of the centre and the states are drawn up. The weekly change in the total outstanding treasury bills is not a very reliable indicator of deficit financing because of sharp fluctuations in its quantum to meet the ways and means position of the government. No attempt therefore has been made here to correlate bank deposits and deficit financing.

The plea that the rise in prices has reduced the saving capacity of households and has hence resulted in slowing down the tempo of mobilisation of bank deposits is again not based on facts. The rise in wholesale prices in the year ended July 1970 at 3.4 per cent was half of the corresponding increase in prices between July 1968 and July 1969 at 6.8 per cent (Table III). It follows that the rate of rise in prices slowed down considerably in the year under review and had a reduced impact on the saving capacity of households. Again, the increase in food prices was a little more than one per cent. Since a major part of the household consumer expenditure is spent on food articles, the impact of the rise in prices on savings cannot be large. The argument that rising prices have reduced savings and have had an unhealthy effect on bank deposits therefore seems far-fetched and without much substance.

The truth is that during the past one year much time and energy have been spent on the physical process of opening of new branches and advertising the official policy of giving increased patronage to small-scale industries, farmers and exporters than was necessary. Consequently, the essential function of mobilising deposits got a lower priority. Also, a sense of complacency has overtaken nationalised banks which are now gradually taking on all the weaknesses and deficiencies of the public sector undertakings. What is more, there is great uncertainty among the middle and top level management in banks about their future. Hitherto, the management class in banks was rewarded for good performance but now all that is certain in that lapses or errors may attract reprimand but there is no surety of reward for good work. No wonder that nationalised banks taken as a whole have not been able to put up a good show in the first year after nationalisation.

Before the working of nationalised banks deteriorates further, it is time that the Reserve Bank of India and the Ministry of Finance set up and take constructive measures to stop the rot. Two steps need to be taken urgently. First, the mad race for opening of new branches among nationalised banks, especially in areas where a sufficiently large number of branches of banks exist already needs to be stopped. Before the nationalisation of the 14-leading banks, new branches were opened only after a careful examination of the requirements of particular areas by the Reserve Bank of India. During the past one year, all such considerations, it seems, have been thrown to the winds. Consequently, the number of branches of different banks in already heavily-banked urban areas continues to increase without much increase in overall deposits but a substantial rise in expenses and, perhaps, social cost.

Second, what is needed is a weekly assessment of the working of a bank by its custodian in the same way as Mr Prakash Tandon, Chairman of the State Trading Corporation, has initiated a weekly budgeting of the affairs of this public sector undertaking. Which branches are lagging behind in deposit mobilisation and why? This is a question to which the custodians of nationalised banks must devote more attention. In other words, the constant reviewing of the working of the branches of a bank is absolutely essential and for this purpose, the statistical wings of the banks need to be strengthened and also equipped with computers. Unless nationalised banks adopt modern methods of management and constantly review the various fields of their operations with the assistance of all the technological help that is available, the problems which they face cannot be tackled effectively.

TABLE II

RISE IN NOTES IN CIRCULATION : 1968-70

(Rs crores)

Week-ended	Notes in circulation	Rise in notes in circulation
June 21, 1968	3,316.10	
		+365.04
June 20, 1970	3,691.23	
		+389.91
June 19, 1970	4,081.14	

TABLE III

INDEX NUMBERS OF WHOLESALE PRICES

(Base : 1961-62=100)

	July 1968	July 1969	July 1970
Food Articles	199.2	203.0	205.9
Liquor and Tobacco	174.8	200.1	184.7
Fuel, Power, Light and Lubricants	147.9	154.5	159.8
Industrial Raw Materials	143.6	188.5	198.9
Chemicals	163.4	177.7	184.8
Machinery and Transport Equipment	132.1	134.1	145.6
Manufactures	131.5	140.7	151.7
All Commodities	163.3	174.3	180.9

TABLE I

AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS

(Rs crores)

	June 19, 1970	Increase between July 19, 1968 and June 20, 1969	Increase between July 18, 1969 and June 19, 1970	Percentage increase June 20, 1968-69	Percentage increase June 19, 1969-70
A. State Bank of India	1118.9	84.0	159.7	+ 9.80	+16.65
B. Subsidiaries of SBI	317.5	23.8	28.6	+ 9.17	+ 9.90
C. Nationalised Banks					
1. Central Bank of India	490.2	35.4	48.6	+ 8.88	+11.01
2. Bank of India	393.5	49.4	35.7	+16.28	+ 9.98
3. Punjab National Bank	387.5	25.4	30.0	+ 7.95	+ 8.39
4. Bank of Baroda	317.0	44.4	34.3	+19.19	+12.13
5. United Commercial Bank	227.4	28.4	23.3	+17.07	+11.42
6. Canara Bank	173.3	27.8	25.5	+23.48	+17.25
7. United Bank of India	165.3	18.2	18.9	+14.51	+12.91
8. Dena Bank	136.8	19.2	11.8	+18.39	+ 9.44
9. Syndicate Bank	132.2	26.3	22.5	+32.35	+20.51
10. Union Bank of India	130.8	16.2	15.8	+16.88	+13.74
11. Allahabad Bank	122.6	10.9	8.8	+10.90	+ 7.73
12. Indian Bank	83.5	10.8	4.2	+16.00	+ 5.30
13. Bank of Maharashtra	89.6	10.5	11.4	+15.84	+14.58
14. Indian Overseas Bank	74.5	11.2	7.2	+20.51	+10.70
TOTAL 'C' (1 to 14)	2924.21	334.0	297.9	+14.96	+11.34
TOTAL (A.B,C.)	4360.5	441.9	486.2	+13.19	+12.55
D. Other Indian scheduled Commercial Banks	324.8	68.6	25.6	+29.35	+ 8.56(a)
E. Foreign Banks	522.6	37.9	40.2	+ 8.68	+ 8.33
F. Total for all scheduled Commercial Banks	5207.9	548.3	552.0	+13.46	+11.86

NOTES :—(1) Data are provisional. (2) Constituent items may not add up to the total shown in the statement due to rounding differences. (3) Excluding inter-bank deposit transactions. (*a*) Not comparable with the preceding year because of the merger of the Bank of Lahore and the Bank of Behar with the State Bank of India.

19th or 20th Century Socialism ?

J.R.D. TATA

Address delivered to the Rotary Club of Bombay on August 25, 1970

THE TITLE of my talk, which may sound a bit odd to you, has been inspired by a recent trip to Singapore, Japan and Australia, which has dramatically confirmed my views on India's economic policies. While recognising the substantial progress made in some directions, particularly in providing infrastructural facilities and raising agricultural production, most of us, I imagine, are unhappy and worried at India's poor economic performance, compared to that of other countries. It is useful in coming to a rational judgment to know and understand what is happening in other developing countries.

The first thing that strikes an Indian visitor to the three countries I visited is their immeasurably higher standards of living than ours. Nowhere on this trip or, in fact, on any of my travels around the world in recent years, did I see any sign of the poverty, squalor and misery prevailing in most of our 500,000 villages or in the appalling slums and squatters' colonies of Bombay and Calcutta. Instead, everywhere I went, whether in Bogota or Abidjan, Caracas or Singapore, in Perth or Tokyo, I could see clearly the signs of growing prosperity, rising employment and confidence in the future.

Lowest Rate of Growth

While one has come to be reconciled to the much higher standards of living enjoyed by the people of the advanced countries of the west, whose industrialisation dates back to the 19th century, it comes as a shock to realise how far ahead of us many other developing countries have gone on the road to prosperity.

The most usually quoted index of the standard of living of any country is its per capita income. Singapore's per capita income is already 10 times that of India, Japan's 16 times, and Australia's 33 times. What is even more striking is their rate of growth during the last 10 years. While India's per capita income rose by 4 per cent, Japan's rose by 116 per cent, Australia's by 87 per cent, and Singapore's, in only five years, by 50 per cent.

Another striking fact is that Japan and Singapore have achieved their miraculous rates of growth despite the most grievous handicaps. Twenty-five years ago Japan, very much like Germany, lay prostrate, her economy shattered, her main cities and industries destroyed in a war in which she had suffered total defeat.

Japan-A Super Phoenix

Today, like a super phoneix rising from its own ashes, Japan is the third greatest economic power in the world, the third largest producer of steel, the second largest of motor vehicles, and the undisputed leader in ship-building, electronics and optics. By 1975 she expects to surpass even the USA and Russia in steel production in spite of having less than half their population and no steel-making raw materials. Her rate of industrial growth has averaged a phenomenal, cumulative, 17 per cent per year during the last decade, equivalent to doubling her industrial output every four years. Truly an economic miracle!

At the other end of the scale, little Singapore has put up an equally dazzling performance, all the more remarkable because her nationhood is only six years old. In 1965, when she attained independence, every economic factor seemed loaded against her. A small island city state of only 225 square miles (at low tide!) and two million people, with no material resources other than a good harbour, no foreign exchange, no industry, no worthwhile market, her Malaysian hinterland cut off, threatened by the explosive racial mixture of her population, surrounded by unfriendly neighbours, she began her independent career under a coalition government of socialists and communists vociferously anti-capitalist and anti-west. The economic portents could hardly have been gloomier!

A mere six year later, Singapore presents an almost incredible picture of economic growth and stability. The same socialist government, but without its communist partners, did not take long to realise that quick progress was impossible without private enterprise and foreign capital. Today, the island is humming with activity, the Singapore dollar is one of the strongest currencies in the world, entrepreneurs are flocking in from all over the world to join Singaporians in building a modern industrial state. Over 300 factories have been established in a magnificent 17,000-acre industrial estate put up by the government. Under the leadership and pragmatic policies of its enlightened socialist Prime Minister and government, Singapore is fast becoming the leading business and financial centre of south-east Asia.

Australia, which has already achieved one of the highest standards of living in the world, is racing towards still higher levels of prosperity. Like India, Australia is endowed with tremendous natural and mineral resources, some of which have only recently been discovered, but very much unlike India, she suffers from a crippling dearth of manpower. Despite this grave handicap, she has embarked mainly with foreign help on a huge programme of exploitation of her immense natural resources. Today, western Australia's 16 per cent rate of annual GNP growth is the highest in the world.

It may be argued that to compare India with Australia is not fair because, despite its geographical location on the other side of the world, Australia is really a European country with many decades of development behind its present prosperity. But what about Japan, Korea, Taiwan and Singapore, all Asian countries, peopled by Asians like ourselves and all devoid of the natural resources we and Australia have in abundance ? Yet their rate of economic growth has equalled or exceeded Australia's. Some of them, it is true, are small, but Japan with its 108 million souls, has the fifth largest population in the world.

Why Stagnation?

Should we not, therefore, ask ourselves why and how these and many other developing countries have done so much better than we have in creating mass employment, widely dispersed prosperity and stability for their peoples while, after 20 years of planning, draconian controls and Rs 30,000 crores invested in development, our economy continues to stagnate, unemployment to grow, and wholesale shortages to prevail? Could there be in those other countries a common factor, lacking in India, responsible for their progress?

There is indeed such a common factor, and it lies in the economic policies of their governments. All of them unlike ours are totally free from economic dogma and prejudice.

All of them, including those with socialist governments, rely mainly on private enterprise for production and distribution.

All of them go out of their way to create conditions favourable to private investment, initiative and enterprise.

None of them impose on their business and industrial community India's nightmarish licensing system and paralysing, all-pervasive controls.

None of them seek to counter the mythical danger of a concentration of economic power in private hands by concentrating it in those of a handful of ministers and bureaucrats.

None of them believe, as our government does, that socialism primarily means the nationalisation of trade and industry and a dominant public sector. On the contrary, they consider a dominant private sector entirely compatible with socialism, for theirs, unlike ours, is a 20th century socialism.

None of them have adopted the savagely high rates of personal taxation prevailing here which have provided such a powerful deterrent to investment and initiative, and encouragement to tax evasion and black marketing.

Pragmatic Approach

While Indian socialists cling to a 19th century Marxist form of socialism, notwithstanding the fact that almost every economic theory and prophecy of Marx has been falsified in the last hundred years, the democratic socialists of all the non-communist socialist countries of the world no longer concern themselves with theory but with the practical means of creating an egalitarian welfare state. They know not only that Marxist economic programmes of the kind which our own socialists naively hope to implement by democratic means cannot in fact be executed except by ruthless authoritarian means, but also that communism has failed up to now to produce the affluent and egalitarian societies flourishing in many countries of the world today.

Thus we see modern socialist governments going all out to encourage priviate enterprise to create the wealth from which they can extract the tax resources required to pay for the welfare services of a socialist state. *They* have understood, what our socialists have failed to do, that capitalist enterprise can play a crucial role in financing socialism, and in making the fruits of economic development available to the people in the very process of development; the cake, so to speak, being distributed while it is being made.

To illustrate the contrast in the attitude of the governments of these dynamic and fast growing countries and that of our own government, towards private business and industry, both incidentally in the name of socialism, I might mention my own experience with two of them on this trip. When knowing only too well the tight web of conditions imposed on foreign collaboration agreements in our country, I asked, with some trepidation, the socialist Finance Minister of Singapore, who kindly invited me to lunch, what conditions his government imposed on foreigners like ourselves who might wish to undertake business or ventures in Singapore, his answer was — "Only one: that you make a profit. We need your profits to finance our socialist programmes. We don't want any lame ducks here!"

Friendly Australia

Similarly, when I called on the dynamic Minister of Industrial Development of West Australia, who had personally invited me to visit Perth, he recommended we station a senior officer there with a view to exploring the possibilities of industrial development and, incredibly by Delhi standards, added: "If he has any difficulty in finding an office in Perth, I will accommodate him in my ministry!" Can you imagine our Minister for Industrial Development inviting an Australian businessman to start some industry in India and offering accommodation for his representative in his ministry's secretariat?!

Whenever I mention the example of other countries which do so much better than ours to my socialist friends, I am invariably told that conditions are entirely different in India, that what happens in other countries has no relevance to India. That we have our own problems and our own difficulties, self-inflicted or otherwise, is not denied. Differences exist between all nations but when one finds that in so many countries, with dissimilar conditions and problems, similar policies produce similar results, one needs to take a hard and sceptical look at this argument so regularly trotted out as an alibi for our failures. When one finds that the economic policies followed in western Europe, in Australasia, in the far east, in south-east Asia, have invariably resulted in a rapid, and at times dramatic, rate of economic growth and human betterment, and, on the other hand, the policies followed by India, Burma, Egypt and others have all resulted in economic stagnation, can we deny the need, at the very least, for an objective review of those policies?

A noteworthy fact is that all the three countries referred to, and others like Germany and all north European countries, most of them under socialist or liberal governments, rely exclusively on capitalist enterprise for industrial production and distribution.

India went one better at first. Under the leadership of Jawaharlal Nehru, she adopted a mixed economy in which public enterprise would join hands with private enterprise in bringing about rapid industrialisation. Despite misgivings in some quarters, Indian industrialists and businessmen supported such a mixed economy concept and looked forward to playing their full part in it.

I, for one, in my innocence, believed that India would thus progress even faster than other countries which relied on only one source of entrepreneurship and investment. I had a vision of a partnership between the public and private sectors, each concentrating on those fields for which it was best suited, each complementing and supporting the other and both actively helped by government in converting India rapidly into a great industrial power and, in the process, in creating millions of jobs every year for its people.

The vision dimmed as the concept of such a grand alliance for progress itself dimmed and was progressively discarded.

Socialism or Welfare State

Our government, from the Prime Minister down, never fail to proclaim the establishment of socialism as its principle objective, never that of a welfare state. With socialism equated in their minds with a dominant and ultimately exclusive public sector, private enterprise cannot be allowed to grow, while big business has become anathema.

So, instead of harnessing to the task of economic development all the energies, abilities, resources and expertise available in the country, and where necessary outside it, government's economic and industrial policies became increasingly aimed at stifling the growth of the private sector, except in the agricultural and small-scale fields.

Recently, I was glad to read that Prime Minister Indira Gandhi has publicly recognised in Parliament the need to let private enterprise contribute to an all-round increase in production without which progress and social justice cannot be achieved. Whether action will follow her wise words remains to be seen.

Before I close, let me express the hope that my remarks have not been interpreted by any of you as an attack on socialism as such. I genuinely believe in modern 20th century socialism

as a politico-economic way of life which embodies, as so aptly stated elsewhere, "the universal human ideals of equality freedom and Fellowship". But I also believe that in a country like India where poverty and unemployment are still so widespread, it is freedom from want and freedom to work which, for the present must take precedence over every other ideal. Socialism's primary aim should be to assure to every Indian the basic necessities of life and the right to work and to earn a decent living. In the economic, if not the philosophical plane, a welfare state is the very essence of the 20th century socialism to which I subscribe unreservedly.

But that is a far cry from the 19th century socialism foisted on us a hundred years behind the times, compounded of outmoded theories, slogans and an obsessive hatred of private enterprise and property, and aimed principally at an undemocratic concentration of economic power in the hands of a few politicians and bureaucrats.

In all sincerity and some humility I suggest to my socialist friends in and out of government, that their policies are betraying the true ideals and aims of socialism and the interests of the masses whom they are supposed to represent. Let them look beyond our shores and see for themselves the magnificent achievements of 20th century democratic socialism in action in country after country around the globe. Let them also understand that the sands of time are running out on them, that the people of India will not accept much longer the sacrifices needlessly thrust upon them in the name of a barren and outdated socialism which brings them nothing but continuing poverty, unemployment and misery.

South Korea's Export Experience

O. P. JAIN

INDIA HAS set a high export target at Rs 1,900 crores to be attained in 1973-74—the last year of the fourth five-year Plan, as against the actual export figure of about Rs 1300 crores in 1969-70. A stipulated export growth rate of seven per cent per annum during the fourth Plan period compared to 3-4 per cent annual increase in recent years is expected to stimulate interest in the measures taken in the Republic of Korea for attaining a phenomenal growth of exports.

The Republic of Korea is a conspicuous instance of industrial and export development since her liberation from the Japanese. Gross national product (GNP) recorded an impressive annual growth rate of 8.3 per cent and per capita income 6.0 per cent during the first Plan period (1961-66). These rates are characterised by an early attainment of the second Plan targets. The estimated GNP for 1969 is 1300.7 billion won, exceeding the year's target by 11.2 per cent. The per capita national income is estimated to be 41,628 won (about US $ 193) —5559 won more than the amount set for 1971. Such a bulldozer progress in GNP is attributed to the rapid growth of manufacturing and construction industries. Manufacturing and mining accounted for 25.9 per cent of total GNP in 1968, indicating a gradual approach for a modern industrial society. Such an impressive success of the Korean economy is reported to be due to the large increase of domestic savings through price stability as well as the adoption of free market rates of interest and to the active import of foreign capital.

Export development for self-sustenance of the economy has been a chief characteristic of South Korea's planning strategy. Its exports rose from $31.8 million in 1960 to $358.6 million in 1967 as against the first Plan's target of $340.0 million. They further recorded a far bigger leap to $ 703 million in 1969, of which manufacture accounted for 79 per cent as compared to 20 per cent in 1960. Such a shift in the composition of exports has been instrumental in building a consolidated export industry in the country.

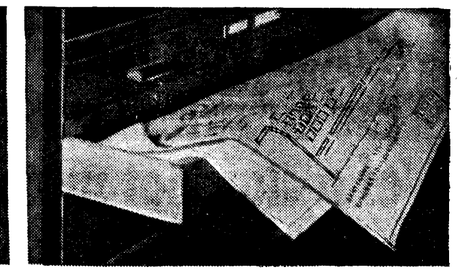
Small and medium industries significantly contributed to the manufactured exports. They exported goods worth 2018 million won, that is, 41.4 per cent of the total manufactured exports between July 1963 and June 1964. As many as 215 small enterprises of the converted export industries earned foreign exchange worth $ 14.6 million in 1965 compared to $ 5.2 million in 1964. During the first quarter of 1964 to that of 1965, two industries, viz., shoes and clothing, exported 68.2, 75.6, 71.9, and 52.4 per cent of their total production in the successive quarters of this period. Though operative in almost all the industries, small enterprises contribute towards exports mostly in the field, of 'sundries', including labour-intensive goods, handicraft items, viz., apparel and garments, footwear, various office supplies and equipment, sports goods, and decorations and ornaments. Sundries' exports, as a matter of fact, constitute the second most important export merchandise and registered the sharpest increase from $ 93,000 in 1960 to $ 34.5 million in 1965 and $ 28.9 million during January-June 1966. These are expected to have earned much larger amounts of foreign exchange in subsequent years.

Promotion of exports industry followed a broad-based, selective and intensive export effort, embodied in the Five-Year Export Promotion Programme as a part of the first five-year Plan. The programme had a support of such legislative measures as the Export Encouragement Law, Export Guild Law, Export Association Law, Trade Law and Export Controls and Inspection Law. These measures facilitate the 'encouragement' regulation and control of exports from the country. The Programme, further, depended and still depends for its success on the 'bold' export promotion policy, whose main constituents are the (i) selective and phased development of small industry exports; (ii) fostering of exporting enterprises through credit allocation for preferential finance and tax relief on import of raw materials and other production requisites; (iii) establishment of export industrial estates; (iv) introduction of comprehensive export inspection system and Trade Law for maintaining and enhancing the reputation of Korean exports abroad.

Creation of Exporting Enterprises

Such a development is guided by certain criteria, which apply not only for converting the existing enterprises into exporting enterprises but for establishing the new ones as well. First, the product lines are designated for specialised export production in the light of their comparative advantage in the world market; secondly, small enterprises of the designated product lines are selected on such broad bases as the high potentiality of specialisation, high rate of net foregin exchange earnings or import-saving, high degree of utilisation of existing facilities, and shorter period of gestation of invested capital. The designated product lines include clothing items; leather, rubber and ceramic products; handicrafts and radio and electrical appliances. During the first three phases extended over 1964-66, 543 enterprises were selected. In 1967, 171 new enterprises were added to the selected list.

The government makes special financial allocations for granting the plant and equipment fund loans to the 'converted' exporting enterprises through the Medium Industry Bank and the development loans to the 'converted'



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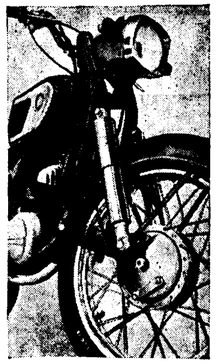

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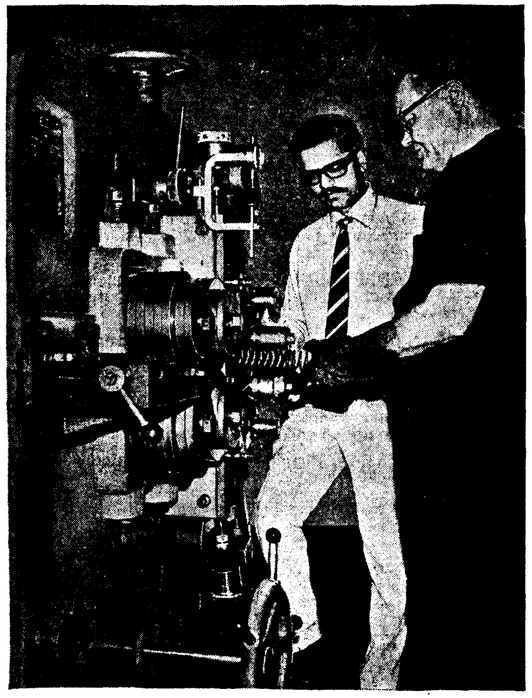

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Interdependence—for 25 years, the Escorts concept for growth

and specialised exporting enterprises on preferential basis through the state-run Korean Reconstruction Bank. It provided an amount of 3800 million won and $ 54.2 million for the plant and equipment fund loans during 1964-66 and the outstanding balance on account of these loans was 611 million won at the end of the first quarter of 1969. These loans enabled the borrowing enterprises to improve their operations ratio from 46.8 per cent in August 1964 to 74.2 per cent in December 1965. Their exports rose from US$ 7.5 million to US $ 32.0 million during the corresponding period. The government also provided an amount of 200 million won in 1966 and an equal amount in 1967 for the same purpose. In addition, it allocated a separate sum of 1000 million won for the development loans and allowed a maximum loan amount of 10 million won to a specified exporting enterprise as against 5 million won to a domestic market-oriented enterprise. These loans aided the designated enterprise to export goods worth 91.62 million won as against the target of 80 million won in 1967. The borrowing enterprises are obliged to devote more than 30 per cent of their total production capacity for export manufacturing and the enterprises having installed the imported machinery under such a loan facility are required to pay for the machinery within one to three years, with foreign exchange earned from the operation of their installed capacity. Thus, the preferential finance is closely tied with production for export.

Export Financing

The government also provides special funds for export financiang too, such funds, initially amounting to 8,500 million won, benefit the manufacturers of export goods and raw materials used in export production and the merchant-exporters as well. Export loans out of these funds are offered at the rate of 200 won per dollar of anticipated export receipts at the lowest possible rate of 6.5 per cent per annum. Another government fund amounting to 1000 million won in 1964 is utilised for loans to the manufacturers of export merchandise, having a net foreign exchange receipt of more than 30 per cent of their production. Such loans are given up to a maximum amount of 5 million won at the rate of 120 won per dollar of anticipated export earnings at the interest rate of 26 per cent. Not only this but also out of the counterpart Fund Account set up by government with 200 million won, loans are advanced to the enterprises manufacturing/processing export goods under contract with foreign importers, those manufacturing export goods on orders from overseas trading companies and those engaged in the manufacture of goods for delivery to the UN Command for payment in dollars. Such loans are limited to a maximum of 5 million won in amount and 12 months in period and carry an interest rate of 18 per cent. Another point to be noted is that as against a substantial increase in interest rates on ordinary loans, those on export loans have recently been slashed down, reflecting the government's determination to boost exports through concessional finance required for the purpose. As an aid to the effective dispensation of credit, the procedure of granting loans to the exporting enterprises has been considerably simplified and made expeditious in action.

Encouraging Small Industries

In addition, the Medium Industry Bank grants loans out of its funds to the small-scale industries on concessional interest rates. It advances such loans to the exporting enterprises in an increasing proportion, which was 27.3 per cent of its total outstanding loans in 1967 compared with 11.7 per cent in 1964.

The exporting enterprises are exempted from excise tax on raw materials used in export goods and duty on imported raw materials to be manufactured for processed for export within two years after the date of import licence. They are also entitled to the refund of a duty already paid on such raw materials and to import free from duty and excise tax, the comparable raw materials which were imported after paying duty and used in commodities exported. They can even import commodities—normally prohibited from import—for export manufacture if the same is considered to be essential by the Ministry of Commerce and industry for the purpose. But they are required to deposit foreign exchange amounting to 30 per cent of the import cost of specifically prohibited commodities and 20 per cent in case of commodities which are not specifically banned from import but are not at the same listed as the authorised import items.

The exporting enterprises are authorised to open letters of credit for import of necessary materials by means of payment guarantees extended by the financial institutions. In case the export letters of credit are received or the export contract is confirmed by the chief of a Korean foreign legation, the import of raw materials on D/P, D/A or shipper's usance basis is allowed to firms with a previous export performance of more than $ 300,000 a year. Also, the bonded warehouse transaction (BWT) facilities are extensively offered to the exporting enterprises to enable them import the needed raw materials, on which the custom's duty is deferred or withheld. The volume of bonded processing trade rose from $ 1,152,500 in 1962 to $19,630,029 in 1965. Such an increase was made possible, besides the concessions in customs, by the modern techniques of manufacturing and processing, coupled with the availability of cheap skilled labour.

These estates, providing the inter-industry linkages and several common facility services, have proved a successful instrument for boosting export production. Actively fostered since 1964, two such estates have come up with encouraging performance. One of them is the Koorodong Industrial Estate designed to accommodate 60 industrial firms; and the other is the Bupyung Industrial Estate providing accommodation for 50 such firms.

The latter, in particular, offers the best locational advantages, the needed 'institutional' supporters, the integrated package of requisite services at the enterprise level for cost reduction and, above all, the maximum advantage to foreign entrepreneurs willing to invest in the selected labour-intensive industries, *viz.*, electronics; electric appliances; metal products; textiles; wooden, glass and rubber products; processing of agricultural marine and mineral products; handicrafts; leather articles; chemicals; wig industries; etc. Labour force available there is amply hard-working and much less expensive. Land is very cheap for purchase or lease. Besides, the estate has got all the modern public facilities and simplified administrative procedures. Its entire management is handled by the Export Industrial Corporation. There is also an estate exclusively for light export industries for the Korean entrepreneurs residing abroad.

Exemption From Taxes

Apart from the preferential finance and exemption of customs duties on imported raw materials for export production, the profits from export business are exempted, to a varying degree, from business tax, income-tax and corporation tax. Such an exemption is also granted for five years to the foreign investors, mostly in export-oriented industries, in proportion to their share in the total stock of enterprises of such industries. In addition, cash subsidies are paid on the exports of new manufactures and for the exploration of new export markets. These, being very specific in purpose, are sanctioned after a close scrutiny of the objective in view. These prove highly beneficial

to the exporters especially when exports are made on a loss to them.

The Medium Industry Bank provides export market intelligence to the small and medium industries as a part of its 'guided financial policy'; and the Korean Export Promotion Corporation undertakes market and commodity surveys for their benefit. The groups/associations of exporting small industries also undertake market exploration surveys and are given certain financial incentives for the same. The National Federation of Small Industry Co-operatives provides consultancy services, including export intelligence, to these industries on group basis; and the 'Small Industry Guidance Centres' render integrated consultancy services to these industries for enhancing the latter's production capabilities and export competitiveness.

These two measures are intended to have a selective approach towards export production; the first screens out the production units for export and the second seeks to restrict the trade firms for export business.

Stringent Inspection Law's

The Export Inspection Law provides for the inspection before export of designated commodities in respect of quality, packaging, material used and processing of the product, according to the standards laid down by the Ministry of Commerce and Industry and for the specifications supplied by the overseas customers. It is carried out by the government agencies and also by government-supervised and sometimes subsidised agencies according to the fields of their specialisation. All inspectors are carefully selected and have the status of public officials. Each inspection agency conducts the inspection of all the goods or the sample thereof. In respect of approved commodities, a certificate is issued stating classification (if grade is desired), the name of inspection agency and the expiration date. The manufacturers of export goods are encouraged to acquire the Korean Standards (KS) mark. The government keeps a watch on inspection methods, account books and other operational aspects of the inspection agencies. An exporter of the non-designated commodities undertakes a self-inspection in compliance with the mutual contractual terms; or consigns them to a third party mutually agreed upon to inspect and check the same. He is also encouraged to observe the product specifications laid down by the government under the Export Inspection System.

The Trade Law Enforcement Decree enforces certain qualifications and restrictions on business activities of the Korean export firms. A firm, once registered under it, had to maintain an annual export performance of more than $ 100,000 as on January 1, 1966. Such a minimum amount has been continuously enhanced from year to year. Further, an approved firm engaged in export and import business must employ persons possessing such qualifications as have been laid down by the government; it must have an issued capital of not less than 5,000,000 won; and also it must have made exports of not less than $ 10,000 a year before it is authorised to apply for registration. But the small exporting enterprises are registered for export under the law if their minimum export performance before registration is $ 5,000 and their annual export performance after registration exceeds $ 50,000.

The lower prescribed limits are intended to encourage small industries to take up export business. Besides such an 'enabling' provision, the Trade Law facilitates the formation of export associations by the small industries for achieving the scale of economies in marketing abroad. Such associations arrange for as many production and marketing aids as possible and thus tend to reduce to a minimum the active participation of the government in export assistance to the small industries.

Growing South Korea

South Korea is unusually favourably situated for industrial investments to generate rapid growth through decentralised market-oriented development techniques. The country has taken advantage of the favourable circumstances arising from its special relations with Japan and the USA. By the early 1960's when industrialisation in the country was beginning, Japan had virtually run out of cheap labour. The Korean government took out some of the labour-intensive industries on their own initiative. After 1965, when the relations with Japan were normalised, Japanese capital and enterprise began to come in (mainly through suppliers' credits and follow-up service). Further, the Korean entrepreneurs' self-confidence in landing into business involving modern chemical or electrical technology owes something to their experience under the Japanese rule. Many South Korean entrepreneurs learned mechanical skills, management and material handling skills as well as marketing techniques and some of the American market characteristics in competition for the US soldiers' dollars. They showed a surprising success in exploiting fashion opportunities (*e.g.*, wigs and sweaters).

In short, the industrial enterprise stimulated by Korean culture, high levels of education, a realistic exchange rate, and a situation in which trade union do not force all wage rates for above the prevailing level in the country, are the important factors which have aided export development in the country.

Small industry exports from India need to be multiplied manifold during the fourth Plan period. The Import Policy for the year 1970-71 provides for certain relaxations/concessions in the allotment of imported raw materials for export production. Also, a number of official institutions render techno-business—financial assistance to small-scale industries with a slant in favour of production by them for export.

Korean Model

But, as borne out by the experience in Republic of Korea, there is an indispensable need for (i) a deliberate and bold programme of assistance to foster modern small industry enterprises for export production on a phased and selected basis, (ii) integration of techno financial assistances to small industries for export production through the medium of a single agency like the Medium Industry Bank in Korea, (iii) special loans exclusively for export production on much liberal terms as against a marginal preferential interest charged by the State Bank of India on loans utilised by small-scale industries for export, (iv) provision of export facilities and incentives in an 'on-the-shelf' manner to exporting enterprises as in the Bupyung Industrial Estate in Korea, (v) simplification of export formalities and delegation of powers by the existing institutions with a centralised agency, preferably the Small Scale Industries Development Organisation (SSIDO) for grant of export concessions and facilities, and (vi) institutionalisation of export intelligence for the benefit of small exporting enterprises exclusively.

The SSIDO visualises in its Programme of Work for the fourth five-year Plan to concentrate its assistances to the selected small-scale industries for export promotion in a phased manner and the proposed Trade/Export Authority provides for counselling at micro-level to exporting enterprises, particularly in the small sector. Their programmes, if implemented, should go a long way to facilitate the export of small industry products from India. But these need to be supplemented with the centralisation of grant of export assistances and export incentives and the provision of export intelligence in a single agency for the benefit of small-scale industries working under several structural and operational constraints.

The Marketing Challenge

B. SATYANARAYAN

A GOOD market mechanism not only adapts itself to the changing tastes and needs of the consumers, but tries to influence their very habits through its advertisement and demonstration-effect. In our competing world, or even under the situation of oligopolistic competition, the firms will have to plan ahead of others by having long-run or perspective plans. The firms should keep abreast with the technical innovations and other developments taking place in other countries. After having planned the pattern of production, its management has to give its attention to the reduction in the cost of production, and cost of marketing. Marketing research has to be constantly carried out. Individually, costs of research might assume prohibitory dimensions. The best way would be to form into various marketing associations, product-wise; thereby spreading a network or branches down to the district and panchayat levels. This method not only reduces the costs of marketing the produce, but minimises the danger of intra-product competition. These commodity-wise associations should have research cells, which should study the ever-changing human habits, tastes etc. They should constantly make an endeavour to keep in tune with these changes.

Quality Control

The other equally important factor which goes a long way in building a permanent image in the field of market-mechanism is to keep up and maintain quality of the produce. Aside from quality, it is sticking to timing schedules (like supplying newspapers), assuring after-sales services (in fields like machinery, electrical gadgets etc), which have an enduring effect on the public. The marketing associations should be able to spread the techniques of market mechanism, such as screening of films exhibiting various aspects of the products, advertisement in newspapers, display at showrooms and exhibitions, mass contact through door-to-door campaigns. This sort of work could be done either through the marketing associations, or co-operative societies. These organisations should be able to collect market intelligence from time to time through various methods, and pass on the information to the respective firms, so that they get posted with the marketing opportunities and potentialities. In some fields like the marketing of milk and fish, the associations should be able to provide godown, gradation and storage facilities, so as to wrest better prices from the market.

Efficient Distribution System

Today's business performance depends mostly on the efficiency of the distribution system. For success in business, various ingredients are needed. One of the important factors for the proliferation of business is to develop the qualified manpower in marketing techniques. Various categories of manpower in marketing should be trained. They should be able to take dynamic decisions in regard to the study of market-mechanism. All this could be possible only through big marketing associations, and not individually. The essential knowledge of know-what and know-how are the most important factors. A central organisation should be assigned "the task of forecasting and assessing the requirements quantity-wise and quality-wise. The present and future requirements should be made known to all the departments producing other allied products. Educational and training programmes aiming at producing suitable candidates in marketing research and techniques should be given priority."

Marketing executives are constantly required to make right decisions at the right time. In marketing, the costs of wrong decisions as well as the costs of delaying right decisions are indeed enormous. Hence, whatever a marketing executive does—whether launching a new product or opening a branch elsewhere or starting an advertising campaign—he does it by taking decisions. He may or may not even sometimes realise that he is taking those decisions. This is how, the element of uncertainty in marketing is eliminated.

The essential features of all marketing problems are:

(a) Recognition of the existence of several possible alternative strategies;

(b) prediction of the pay-off of each of one of the strategies; and

(c) assessemnt of the order of preference of the strategies.

In order to make valid decisions, the marketing executives should have actionable facts at his disposal—facts that are reliable, adequate, effective, precise and dependable. Such facts are digested and refined to obtain "key-data" that are pertinent to decision-making. The key data are analysed (by means of mathematical models) to determine the alternatives. These alternatives with their advantages and disadvantages are studied carefully after considering the inter-related and inter-locking effects before an intelligent decision is taken. Such decisions are reviewed periodically in order to ensure that they are in accordance with the stipulated goal of the organisation.

Best Strategy

Decision-making under conditions of certainty occurs when all the information for the different strategies to be adopted in a specific case is available clearly, but the problem for the executive is to choose the best strategy out of the various possible ones. The problem for the marketing executive is to deploy his resources in a way that optimum results or maximum profits are obtained in the performance of overall sales after duly considering capacities of warehouses, demand for warehouses, production capacities of plant, transportation costs etc. Since these factors can be obtained in a definite manner, such problems are classified as "certainty situations" and techniques like linear-programming are available to the marketing executive in such situations to locate the best alternative. The problems in the field of forecasting, brand loyalty, insurance, market research surveys, extension of test marketing results, bidding, inventory etc. belong to this categoy.

In this connection, the marketing executive has to determine the best manner when the strategies are not clearly defined, but only sufficient past data are available or can be obtained by special sample surveys in order to establish the "probability" of occurrence of each of the strategies. The term 'probability' is defined as the proportion with which an event occurs in a large series of repetitive situations and is very useful to measure the risk. Thus, one finds that decisions will be subjective or personal in an uncertain situation, whereas under the conditions of relative stability decisions could be objective or impersonal.

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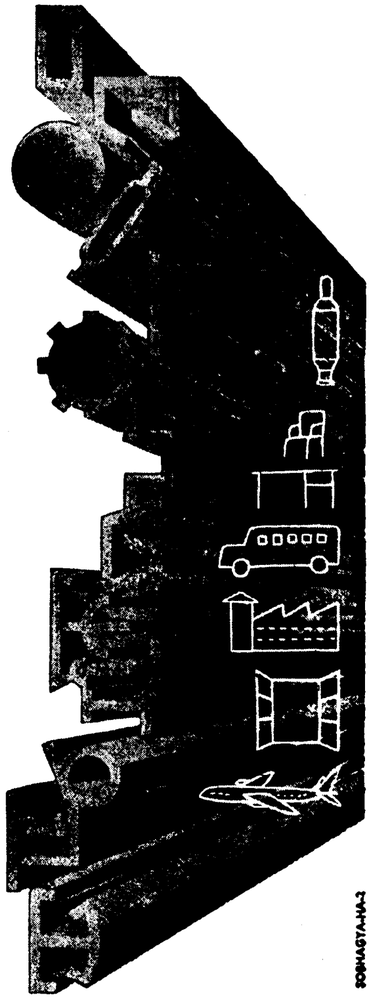

FROM THE PRESS GALLERY

Demand for Dynamic Foreign Policy

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday

THE RAJYA Sabha debate on foreign policy and the adoption by the Lok Sabha of West Bengal budget, consequent upon the extension of President's rule in that state for another six months, were the main features of the proceedings in Parliament during this penultimate week of the current monsoon session.

The most important fact that emerged from the debate on foreign affairs was that not only did the non-communist opposition assail this policy as having no perspective and dynamism, but also the CPI spokesman, Mr Bhupesh Gupta — an ally of the Prime Minister — felt so. The Prime Minister and the foreign office, he bemoaned, had completely failed to give direction to the foreign policy which had now been reduced to just a "hang-over" of Mr Nehrus' policy.

The reasons for the growth of the above feeling among both the rightist and the leftist sections of the House, however, were quite different. Whereas the leftists thought that the government was too willing to placate and appease the rightists on any foreign policy issue, the rightist members felt that the government was going out of its way to placate the Soviet Union.

Dynamic Foreign Policy

Some very pertinent observations came from the former Foreign Minister, Mr M.C. Chagla. now an independent member of the Rajya Sabha. In Mr Chagla's view, the policy of non-alignment had ceased to be a dynamic policy as the whole concept of non-alignment had changed since the two power blocs did not exist now as they existed when Mr Nehru enunciated this policy. Mr Chagla as well as most of the other critics of the government, stressed that "national interest" and "national security" should guide the foreign policy in accordance with the fluctuating international relations. There could be no room for being static in approach to foreign affairs, he added.

In one of the most hard-hitting speeches delivered by him, the Congress-O spokesman, Mr S.N. Mishra, assailed the government's subservience to the Soviet Union. In support of this contention of his, he cited the ineffective stand taken by the government against the Soviet Union's cartographic misrepresentation of our country's borders, the Soviet Embassy's action in constructing two buildings in Trivandrum and Bombay and the use of diplomatic number-plates on cars by Russian journalists. Mr Mishra also expressed fears that the country had been isolated in the world. These fears were shared by many others as well. They referred in this connection not only to the none-too-cordial relations with Pakistan but also to a number of problems coming up in our relations with Nepal, Ceylon and Burma.

Dual Diplomacy

Another important accusation made by Mr Mishra was that the Prime Minister was using the foreign policy to serve narrow party interests instead of national interests. He also spoke on what he described as "dual diplomacy" — one by the foreign office and the other by the Prime Minister's secretariat. In concentrating in her hands wide powers, the Prime Minister, Mr Mishra thought, was trying to create a cotrie of her own in the diplomatic corps. He warned that if the foreign policy was not changed and reoriented to suit the present day conditions not only within the country but also in the outside world, India might go the Sokarno or the Srimavo way.

Pleas were made, as usual, in this debate by the leftist members of the House for the grant of full diplomatic recognition to East Germany. The rightist members, on the other hand, wanted a similar recognition of Israel and Taiwan. In between, pleas were also heard from the leftists for the recognition of the National Liberation Front of Vietnam. The rightists objected to this demand.

The government was also vehemently criticised for its half-hearted approach to the Vietnam and the Arab-Israel issues. Vociferous pleas were made for strengthening relations with the developing countries in general and with our neighbours in particular. The policy towards China came under fire on the feeling that the government was resiling from the stand it had taken on talks with that country on the basis of the Colombo proposals only. It was feared that this basis was now being abandoned. As regards the Indian Ocean, it was stressed that the government should see to it that this ocean was used for no purpose other than trade.

Replying to the debate, the Minister for External Affairs, Mr Swaran Singh, dwelt at length on our role in Vietnam, Cambodia and Laos and asserted that as a result of this effective role, there had emerged positive signs of a desire for talks between the warring factions in Laos which might develop into a full-dialogue. Another chink of hope in the Indo-China situation, he stressed, was the current talks in Paris on Vietnam which was the kingpin of the problem of the "cruel war" in this area. He reiterated the government's view that withdrawal of all foreign troops from South Vietnam was essential for the progress at the Paris talks.

The External Affairs Minister also took pains to explain the steps which were being taken by the government to develop close relations with the neighbouring countries. He pointed out that except with Pakistan. our relations were extremely cordial with all our other neighbours. He blamed Pakistan's leadership for the unsatisfactory relations between us and that country. He hoped that the differences with Nepal over the trade and transit treaty would be sorted out soon. While talking of our relations with foreign countries, Mr Swaran Singh also referred to his proposed visit to Turkey in the next two or three months. He saw no reason why this visit should not bring about better understanding and improved relations with that country.

Lull in Middle East

Referring to the west Asian situation, the External Affairs Minister warmly welcomed the cease-fire between Israel and the United Arab Republic. India, he added, fully supported the UN Security Council resolution of 1967 that one of the essential elements for the restoration of peace in west Asia was the return to rightful owners of the territories occupied by Israel.

Mr Swaran Singh tried to ridicule the charge that the government was subservient to the Soviet Union by suggesting that this bogey had been created by the Congress-O, the Jana Sangh and the Swatantra parties. But his defence against the cartographic misrepresentation by the Soviet Union of our Aksaichin and NEFA areas remained as feeble as during the recent weeks.

Mr Swaran Singh continued to harp on his contention that this misrepresentation was of no political significance. He refuted the suggestion that there was a secret agreement between the Soviet Union and our country on defence.

Referring to China, Mr Swaran Singh observed that while a slight change had been noticed lately in the Chinese propaganda against "neighbours", there had been no "substantive change" in her attitude towards us. However, if China took some concrete steps towards normalisation of relations with us, we would "not be lacking in response", he added. On the other hand, should China use, or threaten to use, force, she would find us ready to defend every inch of our territory, he declared. Mr Swaran Singh expressed the hope that sooner or later, China would abandon her hostile attitude towards our country. He made it clear that normalisation of relations would not be possible until there was a desire in China to settle disputes by "peaceful bilateral negotiations, with respect for each other's territorial integrity and sovereignty and avoiding the use of force or threat of the use of force".

Situation in West Bengal

During the Lok Sabha discussion on the West Bengal budget and the bill seeking to extend President's rule in that state by another six months (till March next year), critical references were made by many members to the Naxalite activity leading to deterioration in the law and order situation in that state. The Minister of State for Home Affairs, Mr K.C. Pant, declared that "prolonged efforts would be necessary to restore full confidence in the people, to enable them to pursue their avocation peacefully and to create conditions in which they could exercise their franchise without intimidation in the election". He did not agree with the view expressed by some leftist members that the law and order situation in West Bengal would improve if elections were held soon. Normalcy, he stressed, had not been restored in the state to hold elections.

Replying to the charge levelled by some CPM members that the development of West Bengal was being neglected and that central assistance, the Minister of State for Finance, Mr V.C. Shukla, asserted that there was no truth in these allegations. He quoted figures of central financial assistance and the central investments in the public sector projects to prove that West Bengal had been treated better than the comparably industrially-developed state of Maharashtra. Both the West Bengal budget and the extension of President's rule in this state upto March-end next year was also approved by the Rajya Sabha.

The future of raw cotton trade figured prominently in the Lok Sabha this week. The Jana Sangh and the Swatantra groups took strong objection to the government's decision to take over this trade. They saw in this decision political motives and alleged that the step was another indication of the government's totalitarian tendencies. The domestic trade in cotton, the Swatantra spokesman, Mr M.R. Masani, pointed out, was of an "extremely delicate kind". It meant selection of quality, proper pricing and blending. The industry and trade had over the years and through mutual co-ordination developed the trade in cotton into a very refined trade which the government could not handle properly for lack of "expertise of the highest order". The Jana Sangh spokesman, Mr Srichand Goyal, expressed the view that the government's economic policy ran just counter to the present need of the economy which was more and more decentralisation of trade and industry. He urged that sufficient funds should be made available for the development of cotton production within the country so that the import bill for cotton, which was of the order of Rs 80 to 90 crores per annum, could be brought down substantially. The Minister of State for Foreign Trade, Mr L.N. Mishra, however, disagreed with both Mr Masani and Mr Goyal and reiterated the government's policy to take-over import trade in cotton in the first instance and the internal trade in this commodity eventually. This policy, he stressed, was irrevocable.

No Change in Atomic Policy

Intervening in reply to a question in the Rajya Sabha, the Prime Minister, Mrs Indira Gandhi, made an important statement on atomic research currently being carried on in the country. The question, tabled by Dr Bhai Mahavir (Jana Sangh), sought to elicit information from the government on whether an atomic explosion was being secretly planned to synchronise with the 1972 general election, as stated by the Jana Sangh President, Mr A.B. Vajpayee. The Minister of State for Atomic Energy, Mrs Nandani Satpathi, who originally replied to the question, said that the Atomic Energy Commission was studying the possible economic benefits and implications of underground nuclear explosions.

The Prime Minister's intervention came during the supplementaries to the question. Mrs Gandhi disclosed that research was going on in the country for conducting nuclear explosions for peaceful purposes, but this did not mean that defence needs were being ignored. Among the studies now being carried out, she added, were not only the economics of nuclear development but also the effects of underground explosions on contamination of underground water sources and ecology which were much greater in underground explosions than in the "conventional" explosions. The Prime Minister, however, pointed out that even the countries most advanced in nuclear technology had not so far developed really safe and effective methods of nuclear explosions. She drew the attention of the House that we have still to learn a great deal in atomic research and one of the difficulties in the way was that many of our nuclear plants were under bilateral safeguards.

The Rajya Sabha adopted this week the Indian Telegraph (Amendment) Bill which sought to empower the government to take possession of telegraphic messages or order interception of messages in the interests of the integrity of the country or prevention of an offence. The Lok Sabha passed this year's supplementary demands for grants (general) totalling Rs 215.57 crores and supplementary demands for grants (railways) aggregating Rs 273,000. Replying to the debate on the former demands, Mr V.C. Shukla informed the House that the government hoped to bring before the next session of Parliament a scheme envisaged in the bank nationalisation law to carry out its provisions. The regular boards of directors of the nationalised banks would be constituted after Parliament approves the scheme. In his reply to the supplementary demands for grants (Railways), the Minister for Railways, Mr G.L. Nanda, painted an encouraging picture of railways' earnings. During the first four months of the current financial year the earnings from pasenger traffic, he said, were Rs 4.5 crores more than anticipated in the budget. The earnings from the general goods traffic were up to the budget expectations.

CORRIGENDUM

In the advertisement of the Syndicate Bank, appearing on page 86 of this journal's issue of July 10,1970, the rates of interest should read as "6½%" instead of "6¾%" for deposits of over 3 years but upto and inclusive of 5 years and "6¾%" instead of "6%" for deposits over 5 years but upto and inclusive of 6 years. The errors are regretted. However, the advertisement with correct interest rates appeared on page 204 of July 31, 1970, issue of this journal.

WINDOW ON THE WORLD

Manpower Policy in Sweden

JOSSLEYN HENNESSY

I

THE REHN MODEL

LONDON:

IN VIEW of the growing interest in the problems of manpower utilisation, both in the industrialised and in the developing countries, Sweden's experience in manpower policies is of particular value and interest, because she was the first country to tackle manpower problems on a systematic national basis, and I offer here a summary of a study, which appeared in *The Three Banks Review* by Mr Bertil Rehnberg, Deputy Director General of the Swedish Labour Market Board.

Swedish labour market policy has in recent years been increasingly correlated with the economic policy, because of the efforts during the postwar period to check the recurrent strain between full employment and inflation, *i.e.*, full employment achieved through general economic measures, a situation which usually includes both excessive demands for manpower in certain regions and sectors and unemployment in others.

The Swedish Confederation of Trade Unions (LO) strongly claimed from the government a restrictive economic policy combined with a selective labour market. In a constant boom there are not many 'natural' tasks left for the trade union movement, which is instead forced to help check wage claims. According to the Rehn model (so-called after the Swedish economist Gosta Rehn, now head of the Manpower and Social Affairs Directorate of the OECD), economic activity should be balanced at an employment level corresponding to about 96-97 per cent of the labour force. The gap should be selectively filled through labour market policy measures to avoid unemployment. This could create conditions rendering it possible to come nearer to attaining the main economic aims. An essential objective of the labour market policy is also to facilitate and even to make it possible to accelerate the structural changes in the economy. This can be done primarily through measures to facilitate the readjustment of manpower to new jobs.

Mr Rehnberg concedes that knowledge of the functioning of the labour market is fairly limited. However, through labour force surveys now carried out every month, the Swedish authorities know that there is a continuous flow of people into and out of the labour force and from one sector to another of the labour market. Business cycles and seasons, changes in the technological and economic conditions of production, etc., continuously influence manpower requirements.

Increasing Labour Force

The Swedish labour force numbers some 3.8 million persons, but the labour force sample survey shows that during 1967, 4.4 million persons simultaneously were in the labour force. The number of persons employed on the Swedish labour market has been on the increase for several years. It is true that this has in part been because Sweden has had for some years a net influx of labour, but another important factor has been a gradual increase in participation in the labour market—particularly among married women. The definition of 'full employment' in Sweden is therefore no longer the same as it was a few years ago, and today it is generally accepted that it should be possible further to raise the employment rate by means of an active labour market policy without coming into conflict with the other aims of economic policy.

The increasingly rapid changes in the economy require greater labour mobility, changes in production, e.g. new materials, new machinery and methods, require continuous adjustment of staff within the enterprise. Many workers can take up other tasks without previous training. Others are re-training within the enterprise. This is done without the support of public authorities, i.e. at the expense of the enterprise. There are no branch funds or other funds that can be utilised for this purpose. Out of a total of 1.6 million members of the LO, 350,000 had to change jobs within the enterprise in which they were employed during the period 1966-April 1968. Many, though not all, obtained better paid jobs.

Early information on expected changes on the labour market is important for labour market policy. Sweden has for many years had an agreement between a central government body, the National Labour Market Board and the employer organisations on advance warning of production cutbacks. It is a voluntary agreement without legal backing, which now also includes the employee organisations. The agreement stipulates that anticipation of lay-offs of more than two weeks shall be made to the county labour board concerned at least two months in advance. Notification must be made of dismissals affecting more than 50 persons at least three months in advance. When the warning has become public, the county labour board, the trade unions and representatives of the enterprise inform all employees affected about problems and measures connected with the production cut-back. This is done at a joint meeting. The management explains the causes of the production cut-back and the pace at which the change-over is planned to take place. The trade unions give information on the stipulations concerning advance warning and lay-offs included in the collective agreements, on conditions for redundancy payment, unemployment benefits from the unemployment insurance funds, etc. The county labour board provides information of the services offered by the employment offices: employment opportunities, re-training facilities, transfer grants, employment-creating measures, etc.

The possibility of finding acceptable solutions to the employment problems depends to a high degree on creating trustful co-operation between bureaucrats, employers and workers. According to the agreement on advance warning, the county labour board can request that a joint committee consisting of representatives of the employer, the employees, the municipality and the employment office be set up. The most important task of the committee is to support and facilitate the work of the employment office. The committee discusses all measures that may be required to facilitate the re-employment of the workers concerned and may also consider the particular problems of individual workers. The experience gained in recent years shows that these committees have played a very important role and have effectively contributed to the smooth development of the comprehensive structural changes in recent years.

II

OBSTACLES TO MOBILITY

However, there are many obstacles to rapid and adequate mobility on the labour market. Sweden's rising standard of living leads to increased local ties. Strong social and psychological ties keep people attached to the place where they have long earned their livelihood. Many persons who are forced to consider other employment lack infor-

mation on the opportunities available. Those who have been unemployed for some time often lack the funds needed to move to another place. In Sweden's rapidly changing economy, many people are unable to adjust to new tasks because they lack the new occupational qualifications required. Other unemployed persons cannot move because they own a house in a place where no buyer can be found. In other cases a move cannot be made because it is impossible to find a flat or house in the place where a new job is offered.

Measures to Facilitate Mobility

These examples could be multiplied. It is a primary task of the labour market policy to remove or reduce these obstacles to mobility. It is of greatest interest to society, the employers and the individual workers, that this adjustment should be as rapid, smooth and successful as possible. This is particularly important in these days when the capital behind each person employed in production grows at a rapid rate. All parties are alive to the value of rapid and successful adjustment. Sweden's employers regard the public employment service as a service institution which is able to follow the development on the whole labour market and to give them valuable information and practical help when they have to hire or lay-off labour. The Swedish trade unions are equally prepared whole-heartedly to support the employment service because the more effective it is the more it promotes the interests of their members.

A network of public employment offices collect data every day on vacancies and job-seekers. The National Labour Market Board publishes every week a gazette containing, in addition to general information, short descriptions of some 15,000 vacancies of every kind, from simple jobs to the most skilled posts for graduates. The number of copies printed every week is 35,000. The vacancies are not advertised anonymously and the job-seekers are free to contact the employers direct. An increasing number of employment offices have what is called an open reception, where the job-seekers can obtain a vacancy list without any registration procedure and then themselves contact the employers direct. The list is renewed once, or if necessary several times, a week. This system has proved successful and the possibility of using automatic data processing to get the lists printed more rapidly and to eliminate errors is now being studied. Sweden's Employment Service has some 250 branch offices provided with modern equipment and everything needed for rapid communication all over the country, e.g. teleprinters.

An example may illustrate the efforts to improve mobility between different parts of the country. Labour requirements for agriculture and forestry have for many years been declining in northern Sweden. For various reasons it has not been possible to create a sufficient number of new employment opportunities in this relatively sparsely populated part of the country. Consequently, the measures have to a great extent been directed at facilitating the removal of the unemployed to other areas. For this purpose employment service staff from places in southern and central Sweden reporting manpower shortage have been sent to help the employment offices in the north.

These officers came with first-hand information on job opportunities in their home districts and have therefore been able to give detail ed in formation on these vacancies. The applicants have then been able to gain further knowledge of them by personal visits to the employers which unemployed persons can make. This means that the employment office arranges visits to potential employers in other places and pays the travelling expenses, including a daily allowance, for these visits. The employment offices in these surplus areas have further intensified their efforts by sending their staff to visit under-employed and unemployed persons, who have not themselves visited the employment offices, to give them information on emplyament opportunities, removal grants, etc. In this way it has been possible to get into touch with those who have been least aware of the employment offices and who might otherwise have been left behind in a period of rapid and fundamental changes in the local economy.

Monetary Grants

Grants to facilitate geographical mobility are given to job-seekers who have to move to other localities in order to find suitable employment. They include travelling and removal expenses, a starting allowance when taking up new employment, and a separation allowance to persons who, owing to the housing situation or other reasons, have to maintain two households. In certain regions with exceptionally high unemployment it is also possible for the labour market administration to buy owner-occupied houses, which cannot be sold on the open market, when the owner is taking up employment elsewhere. To some extent it is also possible —through co-operation between the Labour Market Board and the National Housing Board — to give workers immediate access to a house or flat in the new place of work. Around 30,000 job-seekers receive mobility grants during the year. The average cost of moving a family from the depressed areas in the north to central Sweden is about £500.

Although many workers who have to leave a job can directly take up a new one or can otherwise receive without difficulty the training that they need at their new place of work, many others need to be trained in a new skill before they can get a job. In such cases private employers also do much without government grants to help their new worker. Nevertheless, in many cases, especially during a recession, public training facilities are required to render employable those who have become unemployable. Often the cause of the difficulty is a physical handicap or the age of the unemployed person.

Sweden has therefore for many years had a government-financed labour training programme. The employment offices decide if such training is necessary in individual cases. Those eligible are persons who are, or expected to become, unemployed or under-employed or who suffer from physical or other handicap. However, for several occupations in which there is a great shortage of manpower, unemployment is not an essential condition for admission to the government financed training programme. Thus, persons who have a job can also be offered training for transfer to occupations suffering from manpower shortage. The duration of the training varies between two months and two years (for handicapped persons it may even be longer). The training is provided at special centres operated by the National Board of Education, at courses arranged by private organisations but paid for by the Labour Market Board, in ordinary schools, and to some extent in private enterprises. The special courses arranged by the National Board of Education at present offer training in some 250 occupations or occupational specialities, but in principle the programme covers the whole labour market.

Training for the labour market is free and the trainees receive a training allowance. For a man with a wife and two children it totals £90 a month. The usual practice has been to vary the scope of the training programme to meet seasonal and business cycle requirements. Thus, training for the labour market has in principle had the same stabilising effect as the selective employment-creating measures described in the next section. The total number undergoing training during 1968 was 84,000. In March, 1969 there were 36,500.

III

JOB CREATION MEASURES

Despite all efforts, it is not always possible immediately, or even in the long run, to find jobs for all the unemployed, either because of obstacles or local ties.

The labour market programme therefore also seeks to create employment. The Labour Market Board has considerable funds to finance government, municipal or private relief works, which can be started at short notice in districts where employment needs boosting, be carried out during a certain time of the year or be reserved for certain categories of unemployed.

The Labour Market Board can also use its funds to finance extra government orders to provide the time required to find new jobs for workers affected by advance warnings or to bridge over a temporary decline in production. For the same purpose grant-in-aid can be given for municipal orders. Since all these employment creating measures are initiated on labour market policy grounds, they can be timed and aimed at a certain geographical area or at a given branch of industry, and they can be reserved for certain unemployed categories. For handicapped persons, older workers and workers with local ties there are special workshops and simple outdoor jobs. In January, 1969, there were about 29,000 in such sheltered employment. In addition to this, the Employment Service can also offer employers willing to employ handicapped persons, who cannot be placed in the open market in the normal way, a grant amounting to about £400 per person per year.

Tangible Results

When it is desirable, employment can also be selectively increased through changes in private and public investment, as was done during the last European recession, when the situation in Sweden did not permit a general stimulation of demand. The investment funds of industry (held in reserve by the government under a scheme previously described in this column) were released in the winters of 1967-68 and 1968-69 to promote employment in the construction and engineering industries. For the same reason housing construction and the building of schools and hospitals have also been allowed to expand. The government takes its decisions on proposals from the Labour Market Board.

By selective measures — including training for labour market purposes— it was possible during the winter of 1967-68 to provide employment for some 100,000 persons or about 3 per cent of the Swedish labour force. During the winter of 1968-69 this part of of the labour market policy programme provided employment and training for about 110,000 persons simultaneously. The government's efforts has to a great extent been aimed at northern Sweden which, owing to structural changes in forestry, has had the highest unemployment rate in the country. Apart from this, efforts were largely concentrated on persons whom it has not been possible to fit into the open market. Another part of the labour market policy is to further a long-range increase in employment in certain underdeveloped areas, primarily in northern Sweden. Grants and loans can be made for the expansion of firms already established or to set up new manufacturing enterprises. During 1963 to 1968 such aid, to a total of £65 million, was granted to 767 establishments. The result in employment was 26,000 new job opportunities.

Has this policy been successful in the sense that it has brought us nearer to the government's various economic objectives? Mr Rehnberg answers: Yes. There was an increase in unemployment between 1966 and 1967, and during the first three quarters of 1968 there was a further slight increase in the number of unemployed, but the highest differences registered at any time between 1966 and 1968 did not exceed one percentage unit. Building investments were, owing to the various steps taken, maintained on a high and rising level throughout the recession. Productivity within manufacturing has risen at a faster pace than usually. Consumer prices have been more stable (during 1968 completely stable) than earlier during the 1960s, and industry seems to have been able to manage its cost problems. Exports hav ekept pace with imports and the balance of payments improved. The growth of the GNP, 3.1 per cent in 1966 and 3.3 per cent in 1967, was 4.5 per cent in 1968. Not least, the serious shortage of manpower in important service sectors, such as health care and other public services, has been appreciably reduced.

"Disastrous Trade Bill"

H. R. VOHRA

WASHINGTON:

"DISASTROUS TRADE Bill" is the heading of an editorial comment in the *New York Times* on the tariff bill proposed by the House Ways and Means Committee. Only a staunch protectionist would quarrel with the description of the paper.

The Committee's press release makes it amply clear that what it wants is quantitative limitation of imports of textiles and footwear if not other items. Textile items are defined as articles of cotton, wool, man-made fibre and their blends while footwear are non-rubber footwear.

"Under this provision," says the press release "total quantities of imports of certain textiles and footwear would be limited by category and by country beginning in calendar year 1971 to the average annual quantities imported during 1967-69."

It adds: "For the years after 1971 the total quantity of imports of each category of textile articles or footwear articles would be limited to the quantity determined for the foreign country for the preceding year plus an increase determined by the President. Such increase would be limited to a percentage (not over five per cent) of the total quantity permitted to be entered in the immediately preceding year which the President determines to be consistent with the purpose of these quota provisions. The percentage increase for any category for any year would be the same for all countries."

This is the main pivot of the proposed legislation. There are also other provisions which are likely to make the reversal from freer trade even more obnoxious. For instance, the bill gives the President qualified authority to end the American Selling Price System which leads to astonishingly high tariffs on chemicals, for instance. But he is instructed to seek more favourable terms than those negotiated during the Kennedy Round in exchange for an end of ASP. And Congress is to reserve the right to overrule the President's action by a simple majority vote within 60 days after he takes it.

Quaintly enough, the Committee's bill allows the President to exempt particular countries or products from compulsory quotas if he thinks these are opposed to the national interest. The Committee ignores that if he did use this clause, he would incur the wrath of GATT for practising a discriminatory form of bilateralism.

While using state control for compulsory quotas, it lashes out against state-controlled economies of other countries if they "dumped" their goods in the US on "construed value."

For the *New York Times*, as for other thoughtful papers, it is altogether a bad bill which deserves to be rejected by both House and Senate. Should it pass, the paper recommends that it overwhelmingly deserves a Presidential veto.

The bill ignores the President's opposition to mandatory quotas on shoes and other products. The only exception reluctantly made by the President is

textiles. The bill, however, also ignores the opposition of the Joint Committee on Internal Revenue Taxation "to the wasteful scheme of export subsidies under a so-called Domestic International Sales Corporation (DISC)", And, of course, it ignores consumer interest to pander to the interests of the industries which have proved incapable of standing up to the test of competition.

A debate is now about to begin whose echoes will be heard all over the world and one might as well understand the arguments on both sides.

Advocates of restrictions complain of dwindling foreign trade surplus and loss in the competitive position of the US. The US, they say, has been losing ground in its export trade in nearly all categories of finished manufactures, including machinery. They attribute the decline to the country's tariff-cutting over the past 30 odd years.

Adverse Trade Balance

A leading advocate of this view is Oscar Strackhein. He says: "The irrefutable fact is that we are in a weak competitive position in world markets and in our own market *vis-a-vis* imports." If those exports which are financed under foreign aid are deducted from the official total export figures and if insurance and freight are added to the official imports figures, the US had an excess of imports over exports in 1968 amounting to $4.6 billion.

To these people, the evaporation of the favourable trade balance from $6.7 billion in 1964 to less than $1 billion in 1968, on the basis of the official statistics, appears disastrous in light of the continuing negative balance of payments position of the US. So, they say, imports must be curtailed if exports cannot be increased.

Secondly, they also attribute the decline in exports to high American wages. Although the US leads the world in output per man hour, the lead in many instances is no longer held wide enough to overcome the foreign labour cost advantage.

It follows from this argument that low wages paid abroad make the import-competition "unfair." They complain that wages in some countries are so low that they would be illegal in the US. The argument is particularly addressed to American-owned firms abroad which use American-technology but employ low-paid local labour.

Thirdly, they assert that devaluation of foreign currencies has helped narrow the favourable US trade balance. The US has not devalued the dollar during the tariff-cutting era of the past 33 years. Many of the tariff concessions the US has obtained from other countries have tended to disappear under the impact of currency devaluations.

Fourthly, they refute the Administration's cure for "injury" to an industry through adjustment assistance. They prefer instead quantitative quotas which grow as US economy expands and contract if it shrinks.

Supporters of textile and footwear quotas base their argument on the rapid growth of imports. Between 1961 and 1968 imports of textiles have increased by 135 per cent compared with an increase in domestic production of only 47 per cent or almost three times as fast. The shoe industry points out that the imports of shoes increased from eight million pairs in 1955 to 180 million pairs in 1968 or from 1.3 per cent of domestic production to 28 per cent. Projections indicate that by 1975 imports would be 90 per cent of domestic output.

Advocates of liberalisation are unimpressed. They draw on trade statistics which show that total exports have been increasing steadily since 1962 at approximately $2.3 million a year while imports have been increasing at about $2.8 billions a year. But they attribute the trade gap in large part to the severe inflation in the US during the past few years.

Turn Around Period

But perhaps the most convincing argument against quotas comes from those who believe that the main link of the US with other markets today is via production facilities in foreign countries rather than via export. The position of the US in the world economies, they think, is stronger today than before. Though US exports are growing between 7 and 8 per cent a year, the deliveries of US industries to foreign markets from their production facilities abroad exceed their exports from continental United States by about five times. The growth of this production abroad is at the rate of 9 to 10 per cent.

American industries abroad are producing at least $200 billion worth of products a year campared with exports of $35 billion from continental United States. Thus, they conclude, that with its dwindling trade surplus and its growing returns from foreign investments "is quite possible that the United States is in a turn around period."

This means that it would become normal to expect that it is advantageous for imports to exceed exports as long as monetary receipts offset the excess.

It is readily admitted that the growth of American corporations abroad will compel adjustments within the United States with respect to certain companies and certain workers and the government can assist and smooth the process. They reject the argument that imports of American-controlled corporations are injurious to American workers because they do not accept the distinction between "labour" and "consumers."

Utilisation of Resources

They do not agree that the function of production is merely to provide jobs. If that were so all we would have to do, they say, would be to abolish labour saving machinery. The American Enterprise Institute in an analytical summing up, adds:

"One of the purposes of the economic system is to encourage technological innovations which make it possible to produce more consumption goods with less effort. Technological unemployment is a serious problem, but it will not be solved intelligently by restricting the output of goods. International specialisation of production, whether it be by American-owned or foreign-owned capital is one aspect of the phenomenon of technological innovation. Capital gravitates to areas where profits are highest This is what is meant by the 'maximum utilisation of resources.' Owners of American capital find that they can maximise their gains by producing certain goods abroad rather than at home. The decisions are made, not in terms of physical productivity alone, but in view all environmental factors, including governmental interferences with production and trade."

Workers, as a whole, will benefit most from production when total output is large. They will suffer from policies that increase the share of one segment of the population at the expense of total production. Freedom to import, liberals assert, if accompanied by genuine governmental concern to take care of displaced workers and injured industries will benefit everyone. Supporters of liberalisation specifically refute that quotas on imports of textiles and shoes are justified even on economic reasons. They say:

"Neither the textile industry nor the shoe industry has asked for relief from import competition under the 'escape clause' provision of existing law. Failure to take such action implies that the leaders of the industries themselves are convinced that they cannot prove that increased imports have caused, or threatened to cause, serious injury to their industries. In fact, during the 1960s both sales and profits of the domestic textile and footwear industries increased substantially. From 1961 to 1969 sales of textiles increased 62.6 per cent, and profits 114.4 per cent while apparel sales increased 83.5 per cent and profits 187.9 per cent."

The moving finger writes

THERE IS nearly as much economics as there is politics in the treaty which the Federal Republic of Germany has signed with the USSR in Moscow. While German reunification may be deemed to be dear to Bonn's heart, it must certainly have been an acutely frustrating situation for export-oriented economies, such as West Germany's, to be merely or mostly watching while Britain, France and Italy are nibbling at the enormous cake of the Russian market. The clear implication of the pact is that Mr Willy Brandt and his advisers have thought it profitable to leave it to time to settle the reunification issue and, in the meanwhile, explore current or prospective opportunities for trading more extensively with the Soviet Union which the improvement in political relations effected by the Moscow agreement should bring about.

With the United States going increasingly protectionist and Japan's export prowess becoming more and more formidable, West Germany may well feel that the Common Market is becoming an inadequate market place for its industry. Since the Soviet Union is apparently now in a position to invest more and more in consumer durables to which its people have been denied access for years and years, it is but natural that West Germany should have felt powerfully tempted to explore means of giving a decent burial to as much as possible of the remnants of the cold war in Europe. It is possible, no doubt, to debate whose have been the greater political gains—Moscow's or Bonn's—, but it is surely obvious that, so far as economic advantages are concerned, Mr Willy Brandt has not merely calculated hopefully, but wisely and well. The commercial re-integration of Europe it appears may come before its political division is significantly repaired. The Common Market meanwhile, seems to be in for a sea-change—and this not because of anything that Britain may decide to do or not to do about it. In fact, one by-product of the Moscow-Bonn treaty may be a further decline in Britain's political influence or economic importance in relation to Europe generally and western Europe in particular.

* *

The design of the 'standard' which the Chief Minister of Tamil Nadu seeks to inflict on that state should leave no one in doubt that Mr Karunanidhi's move cannot be accepted by the nation. The design shows the national flag at the top left corner and the state's symbol of a temple 'gopuram' in the bottom right. It is intolerable that in any 'flag' or 'standard', or whatever Mr Karunanidhi, in his clever-clever way may choose to call it, the national flag should be pictured anywhere except at the centre or indeed that it should be made to share space with any other emblem. If, unfortunately, it so happens that due to the exigencies of the opportunist politics of today, Mr Karunanidhi is able to go his way to the extent of having a state flag for Tamil Nadu, it should at least be ensured that the national flag is not slighted or otherwise insulted by being incorporated in it.

While it is undoubtedly true that the main object of Mr Karunanidhi's move is to divert public attention in his own state from the poor and even venal record of the DMK in office, it is part of his strategy also that his party's long-term aim of enfeebling the authority of the central government should be furthered through every possible means of eroding the consciousness of their nationhood among the people of Tamil Nadu and, indeed, among the people in all the states.

* *

Meanwhile, the kind of political morality which the people of the country must be prepared to reckon with while dealing with the DMK brand of politics has been disclosed, perhaps unwittingly, by Mr Karunanidhi while talking to newsmen in the capital last week. Reacting to the Jana Sangh's efforts to cultivate Tamil Nadu, the Chief Minister made the astonishing observation that any growth of Jana Sangh activities in his state was bound to revive the conflict between the Brahmins and the non-Brahmins there. Mr Karunanidhi's declaration has some interesting implications. It seems to be his belief, for instance, that the Jana Sangh in Tamil Nadu such as it is, is either a Brahmin party already or can develop only as a Brahmin party. I wonder what ground there is for this presumption. The Jana Sangh is not an organisation of Brahmins, but a Hindu political party and there is no particular reason why only Brahmins in Tamil Nadu and not other Hindus in that state should respond to such an appeal as the Jana Sangh's principles or programmes may have.

As a matter of fact, considering that Brahmins are a small minority in Tamil Nadu, the Jana Sangh must obviously try to appeal to far wider sections of the Hindu community in that state if it is at all serious about building up its presence there. Neither the Jana Sangh nor the Brahmins in Tamil Nadu can be politically so naive as to believe that this party can expect to have a political future in that state as a Brahmin or even mainly Brahmin body. Mr Karunanidhi is not exactly an unintelligent person and he must, therefore, be presumed to know this much. If, nevertheless, he has chosen to invoke the ghosts of the Brahmin-non-Brahmin conflict, to which his party may trace its origins, with or without pride, it must be because he is intellectually and morally too weak to resist the temptation of bullying or blackmailing a numerically small and, therefore, politically vulnerable section of the people of Tamil Nadu which he apparently believes, is not to be relied upon in electroral terms by his party.

Here is the cloven hoof of fascism for all to see. Fortunately for the Brahmins of Tamil Nadu, their political options are not confined to a choice between the DMK and the Jana Sangh, although for the DMK itself there may not be the same wide scope to be choosy when it comes to picking its electoral allies. Even at the last general election the DMK had associated with the Muslim League, thereby subordinating its vaunted secularism to the convenience of an electoral alliance with the religious communalism of the Muslim League. Except in some constituencies, the Brahmin vote may be far too scattered to be worth bargaining for, but this community need not be so poor in spirit that it should let itself be neutralised by threats or such other forms of intimidations as the present Chief Minister of Tamil Nadu seems poised to practise. Incidentally, is it Mr Karunanidhi's suggestion that the Brahmins in Tamil Nadu think or are inclined to think that their political future could be made safe only by their community associating itself with an all-India party, whether it is the Jana Sangh or some other party? If so, it speaks poorly of the DMK as a political organisation with pretensions to being considered a modern political party in a democratic political order.

V.B.

Trade Winds

RAILS FOR SOUTH KOREA

THE HINDUSTAN Steel Ltd has secured an order from South Korea for the supply of 41,000 tonnes of rails against competition from such industrially advanced countries as Japan and Canada. A Press note issued by the HSL states that the approximate value of the order is $ 7.5 million (about Rs 5.6 crores). In 1968, Hindustan Steel had secured an order for supply of rails. The HSL is likely to commence supply against the repeat-order from April 1971 and complete the delivery by September 1971.

INDUSTRIALIST'S MEET CHAVAN

THE FINANCE Minister, Mr Y.B. Chavan called for a "continuous dialogue" between the government and the business community to ensure rapid economic growth at an hour-long meeting with the committee of the Federation of Indian Chambers of Commerce and Industry. The leading industrialists explained their problems in details. Mr Chavan pointed out that an impression had been created that there was a sense of hostility between the government and the business community. This was wrong. There was no question of the government not listening to the point of view of others. Mr Chavan added that economic development, had to be coupled with social justice. "This dual approach influences government policies and not any rigid ideological considerations," Mr Chavan said.

The Finance Minister replied to a number of points raised by the FICCI President Mr D. S. Kothari, and members of the committee including the proposal to convert excise duty on sugar, tobacco and cotton into sales tax and voting rights in respect of shares pledged with the banks. Mr K.K. Birla referred to the situation in West Bengal and said that the atomosphere of uncertainty was such that unless credit conditions were relaxed, banks would find it difficult to advance loans to industry and trade in that troubled state.

At a separate meeting with the Foreign Trade Minister, Mr L.N. Mishra, the FICCI committee reviewed the export trends. Mr Kothari expressed the fear, that the annual growth rate of seven per cent set for the fourth Plan may not be reached. In this context, the called for a fresh look a export incentives and policy implementation.

R.B.I. GUIDELINES ON GURANTEE

The Reserve Bank of India has reviewed the practices of commerical banks and other financial institutions taking personal guarantees from directors and other managerial personnal of borrowing concerns and has issued certain guidelines to help identify the circumstances under which a guarantee may or may not be considered necessary. In the case of public limited companies when lending institutions are satisfied about the management, its stake in the concern and economic viability of the proposal, the Reserve Bank says no personal guarantee be insisted upon. The same thing applies to companies under professional management. In cases where lending institutions are not satisfied about the aspects of loan proposals, the bank says they should seek to stipulate conditions to make the proposals acceptable without such guarantees. In any case the bank wants the lending institutions to review the existing cases where guarantees have been obtained. The case of companies where shares are held closely by a person or a group (not being professionals or government) irrespective of other factors, the bank suggests that personal guarantee should preferably be that of the principal members or the group holding shares in the borrowing company rather than that of the director managerial personnel functioning as director in any managerial capacity. The bank says that guarantees may be helpful in the case of public limited companies other than those rated as first class.

ASSISTANCE FROM CANADA

Three agreements were recentlysigned between this country and Canada under which the latter country will provide assistance of a total value of $15.2 million or Rs 10.65 crores. The agreements were signed, on behalf of India, by Dr I.G. Patel, Secretary, Department of Economic Affairs, Ministry of Finance, and on behalf of Canada by the High Commissioner, Mr James George. One of the agreements is for a development loan of Rs 9.1 crores or $13 million. This agreement is in continuation of the one signed on April 22, 1970 under which Canada provided Rs 11.9 crores or $17 million. Both development loans are for use largely by Indian industry for the import of Canadian industrial commodities.

Fifty per cent of $13 million to be provided under the present agreement willbe used to increase stocks of edible oilseeds through the import of Canadian rapeseed. Other items for import include copper, asbestos, zinc and rubber. There is also provision for miscellaneous commodities such as ferro-alloys, acetylene black, etc. There is no interest or any other service charge on the development loan made available under this agreement. It is to be repaid over 50 years including an initial 10-year grace period — the most favourable terms available to India from any source. Of the other two agreements signed, one relates to a plan of operation for Canadian assistance to an all-India co-ordinated research programme in dry-farming. This project is in direct support of the pronounced emphasis on dry-land farming development contained in the fourth five-year Plan. The initial estimated cost of Canadian contribution is $1.5 million or Rs 1.05 crores, which will be provided on a grant basis. Canada will also supply suitable agricultural machinery and laboratory equipment not available in India. Indian scientists will also be able to spend short periods at Canadian dry-land research centres.

The third agreement relates to a plan of operation for a groundwater hydrological survey of the hard rock areas of Andhra Pradesh. The survey will establish techniques under which various groundwater development agencies will be able to evaluate the extent of groundwater resources and their potential for future exploration. Covering an area of 3,000 square miles in central Andhra Pradesh, the survey will provide quantitative data capable of extrapolation to other areas of the Deccan Plateau. The initial estimated cost of this Canadian contribution is $0.7 million or Rs 50 lakhs which will be provided on a grant basis.

HYDRAULIC EQUIPMENT

The union government has desired to create additional capacity for the manufacture of hydraulic equipment such as hydraulic pumps and valves, oil hydraulic equipment and accessories which are extensively used in various items of machine tools, automobiles, agricultural tractors, aircrafts and ships. Applications have been invited from prospective entrepreneurs for grant of licences under the Industries (D&R) Act, 1951, for the establishment of such capacity, for the manufacture of hydraulic pumps and valves, oil hydraulic equipment and accessories needed for the purpose. Applications for grant of industrial licences have to reach the Secretary, Ministry of Industrial Development and Internal Trade (Department of Industrial Development), New Delhi, before November 30, 1970.

HANDICRAFTS EXPORTS

Exports of all handicrafts, including gem and jewellery reached a record figure of Rs 94.72 crores during 1969-70, showing an increase of Rs 18.25 crores, or 23.9 per cent over the preceding year. Since 1961-62, the beginning of the third Plan period, exports of handicrafts have increased five-fold from a modest amount of Rs 19.34 crores in 1961-62 to Rs 94.72 crores during 1969-70. In terms of the US dollars, exports have increased three-fold from $ 40.7 million in 1961-62 to $ 126.3 million in 1969-70.

RUBBER PRODUCTION

Addressing the meeting of the Rubber Board held recently the union Minister of Foreign Trade, Mr L.N. Mishra. stated that the production of natural rubber had, during the decade and a half from 1954-55 to 1969-70, increased from 21,774 metric tons to 81,953 metric tonnes. The consumption of rubber has also been steadily increasing during this period from 26,332 metric tons in 1954-55 to 86,213 metric tons during 1969-70 exclusive of synthetic and reclaimed rubbers. This has been due to the steady increase in installed capacity during the successive plan periods to meet the growing internal requirements of tyres and other manufactured goods like foot-wears and industrial appliances, in addition to the larger requirements by the defence forces.

Mr Mishra added that he was not unaware of the anxiety of the rubber growers about a fair price to them which would ensure a satisfactory economic return. A decline in the price of natural rubber during the last few weeks had also come to his notice, he added. An unfortunate fall in consumption by tyre factories, while production estimates had been fulfilled, had obviously contributed to accumulation of stocks and resulted in falling prices. The report presented by the Tariff Commission in 1969 is currently under active consideration. He was hopeful that it would be possible to announce the decision of the government shortly.

IRRIGATION POTENTIAL

Periodical survey of irrigation potential as on the lines of annual power surveys is likely to be undertaken in the near future. This was stated by Dr K.L. Rao, union Minister for Irrigation and Power, when members of the Consultative Committee met the Irrigation Commission recently. The minister added that though the irrigation potential today was 100 million acres, the utilisation was not very satisfactory due to various factors. The government was also concerned about the slow progress of major irrigation projects, such as the Rajasthan Canal. One suggestion was that the Rajasthan Canal should be taken as a central project and a statutory authority set up to administer the complex. Another member suggested that the present policy of financing some vital projects, which should be considered as national projects, should be decided and each plan should make a provision of Rs 500 to 1000 crores specifically for their speedy execution. It was also suggested that betterment levy should be collected only after a period of five years of introduction of irrigation. Special consideration should be given to chronic drought affected areas.

BOOK PUBLISHING

A 27-day Regional Training Course in Book Publishing Management organised by UNESCO was held in New Delhi starting from August 31, 1970. The course covers economics of book publishing, book production, marketing considerations, promotion and advertising, evaluation of sales experience and long-range planning. About 28 participants from 10 Asian member states, including 14 from India, joined the course.

RURAL HOUSING

The members of the Consultative Committee of Parliament attached to the Department of Works, Housing and Urban Development are understood to have noted with concern that out of total fourth five-year Plan provision of Rs 168 crores for housing (including Rs 40 crores for Calcutta Metropolitan area), only Rs 2.5 crores were so far allotted by the states for Village Housing Project Scheme. Members were generally of the view that funds for rural housing should be earmarked and rural housing boards should be set up in the states to undertake housing programme in rural areas. The Minister of Health, Family Planning, Works, Housing & Urban Development, Mr K.K. Shah, who presided over the meeting, apprised the Members of the decisions taken at the Jaipur Conference of state ministers in-charge of Rural Housing. He said that in view of the paucity of resources and the magnitude of the problem, it was decided that rural housing programme would be undertaken on the basis of a selective approach instead of disbursing the meagre resources all over the state. Each state would select one district for every one crore of population, for undertaking an intensive programme of rural housing. States having a population of less than one crore would also select one district each under this programme. As much as 75 per cent of the expenditure required for the construction of houses under the programme would be provided by the central government as a loan and the remaining 25 per cent would be borne by the state governments themselves.

CO-OPERATIVE BANKS MEET

Co-ordination between co-operative credit institutions and commercial banks in financing agricultural production will be one of the main topics for discussion when chairmen of state co-operative banks meet the Finance Minister, Mr Y.B. Chavan, in New Delhi on September 7, 1970. Mr Chavan's meeting with chairmen of state co-operative banks follows a similar conference that the Finance Minister had with custodians of nationalised banks on July 22, 1970. Other subjects on which Mr Chavan and chairmen of state co-operative banks will exchange views include deposit mobilisation by co-operative banks; financing of primary agricultural societies by commercial banks in selected areas; and rehabilitation of weak central co-operative banks. Besides chairmen of co-operative banks, others taking part in the discussions will be officers of the Reserve Bank of India, representatives of the Ministry of Food, Agriculture, Community Development and Co-operation and custodians of three commercial banks.

ASSISTANCE TO PUBLISHERS

In order to mitigate the hardship caused to students in schools and colleges and to the reading public owing to short supply of educational text-books and reference books and with a view to helping publishers and booksellers to bring out and sell sufficient stocks of these necessary publications, Dena Bank has introduced a scheme for granting advances against stocks of educational books and text books approved by the appropriate educational authorities. The amount of advance will be related to the monthly turnover of the bookseller and the value of books held by him in stock. As a further measure to encourage import substitution, loans will also be granted to publishers for printing and publishing Indian editions of foreign books which have been approved as text books in colleges. The bank will also grant loans to booksellers and publishers against pledge/hypothecation of stocks of exercise books, account books and stationery.

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(Pulp Division)

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Company Affairs

GREAT EASTERN SHIPPING

THE DIRECTORS of the Great Eastern Shipping Co. Ltd have proposed an equity dividend of Rs 1.20 per share of Rs 10 each for the nine-month period ended March 31, 1970 on a higher capital resulting from the bonus issue made last year in the ratio of one new share for every share held. The company had paid an equity dividend of Rs 2.50 per share on the old capital for the previous year ended June 30, 1969. The company's working during the nine-month period has resulted in a gross profit of Rs 277.46 lakhs compared with Rs 378.26 lakhs in the previous year ended June 30, 1969. The directors have provided Rs 109.24 lakhs for fleeted depreciation and Rs 9.44 lakhs for managing agents' remuneration. No provision has been made for development rebate reserve against Rs 86.45 lakhs in the previous year. The net profit thus works out to Rs 105.77 lakhs during the period against Rs 146.80 lakhs in the previous year. After making some adjustments, the amount available for disposal is Rs 106.58 lakhs. The directors have transferred Rs 58.63 lakhs to the reserve of exempted profits under section 80 J of the Income-Tax Act 1961 and Rs 47.50 lakhs to general reserve, leaving a sum of Rs 45,270 to be carried forward against Rs 46,129 brought in. A sum of Rs 4.50 lakhs has also been transferred to general reserve No. 2 released from development rebate reserve. The dividends will absorb Rs 57.49 lakhs.

NATIONAL MACHINERY

National Machinery Manufacturers Ltd has made rapid strides in textile machinery manufacture, having completed the production of its 5000th automatic loom last month. Since its phased manufacturing programme in 1961, it has steadily diminished the import content of components from 65 per cent to 15 per cent. The turnover in the current year is expected to amount to Rs 7 crores against Rs 6 crores last year. It has set a target of 15 per cent increase in its turnover for five years to achieve a turnover of over Rs 12 crores. The company had diversified production to cover doublers, carding engines and automatic looms. Since 1955, when production of complete machines was undertaken, NMM has so far supplied 7,848 ring frames, 832 doublers, 1,973 carding engines and 4,850 automatic looms. The current order book shows 20 months' production of automatic looms and 10 months' production of spinning frames. In the conventional textile machinery range, it has recently completed a proto-type draw frame. Regular production is expected to begin next year. Through its collaborators, Platt International UK, Ruti of Switzerland, NMM offers the Indian textile industry the latest in textile machinery technology. Further diversification is envisaged by the company to meet the needs of the indigenous market. It expects to add a range of machinery for the processing of synthetic fibres to its current manufacturing schedule next year. In this connection, it is negotiating a technical collaboration with Barmag of West Germany. The company at present exports only spinning machinery to countries such as UAR. It has received inquiries for automatic looms. It sells about 80 per cent of the loom requirements of the mills in the country.

INDIAN CABLE

The gross profit of Indian Cable Company Ltd for the year ended March 70, has declined from Rs 41.66 lakhs to Rs 37.75 lakhs although sales have registered an increase of Rs 41.22 lakhs to Rs 13.49 crores. The company has, however, decided to maintain its equity dividend at 2.5 per cent for the year. After charging Rs 29.04 lakhs for depreciation, Rs 4.20 lakhs for reorganisation expenses and Rs 1 lakh for taxation, the net profit is higher at Rs 3.51 lakhs against Rs 1.44 lakhs. Bringing in Rs 12.28 lakhs being taxation no longer required, the net available surplus amounts to Rs 15.79 lakhs, against Rs 3.89 lakhs. Of this, a sum of Rs 12.88 lakhs has been transferred to general reserve while development rebate reserve gets Rs 2.70 lakhs and debenture redemption sinking fund Rs 21,472. The proposed dividend absorbs Rs 10.36 lakhs and it will be paid out of the general reserve. In his annual statement, Mr D. Forwood, chairman has struck a note of cautious optimism about the future prospects of the cable industry. Towards the end of the year under review, he indicated some healthy trends were visible like finalisation of the fourth Plan targets, expansion of the schemes of state electricity board and encouraging improvement in other sectors of the economy. But the development of the cable industry, he remarked would wholly depend on the adequacy demand and unhindered supply of basic raw materials together with good industrial relations to fulfil this demand.

HINDUSTAN WIRE PRODUCTS

Subject to the consent of the Controller of Capital Issues, the directors of the Hindustan Wire Products Ltd, have proposed to capitalise Rs 6.25 lakhs out of general reserve and issue 62,500 equity shares of Rs 10 each as bonus shares to the existing shareholders in the ratio of one-for-three. Meanwhile, they have proposed a higher dividend of Rs. 1.50 per share for the year ended March 31.1970, as against Rs. 1.25 a share paid previously. Transfer books will be closed from September 17 to 23.

HIND RECTIFIERS

The directors of Hind Rectifiers Ltd have proposed to maintain an equity dividend of 10 per cent for the year ended March 31, 1970. The company has shown better results for the year with its gross, profit rising to Rs 13.60 lakhs from Rs 8.62 lakhs in spite of a small decline in sales to Rs 1.16 crores from Rs 1.18 crores. Out of the profit, depreciation claims Rs 4 00 lakhs, taxation Rs 4.09 lakhs, development rebate reserve Rs 98,364 and managing agents' remuneration Rs 1.14 lakhs, leaving a net profit of of Rs 4,33 lakhs against Rs 3.41 lakhs. With a write-back of Rs 44,295 being the excess tax provision for the previous year, the disposable surplus amounts to Rs. 4.77 lakhs out of which a sum of Rs 40,000 has been used to write of goodwill and the balance of Rs 4.37 lakhs has been set apart for the general reserve. The proposed dividend amounting to Rs 3 lakhs will be paid out of general reserve.

ESTRELA BATTERIES

Estrela Batteries Ltd, will shortly issue right shares. It has undertaken a big expansion programme of Rs 2 crores and is negotiating with the IFCI for a loan of Rs 1 crore. Sales during the year ended March 31, 1970 went up from Rs 406 lakhs to Rs 487 lakhs and the directors are hopeful of maintaining the sales this year. The company has secured permission to replace the worn-out equipment and machinery and has already placed orders abroad to import machinery worth more than Rs 20 lakhs. The company has also received government sanction to import capital goods for expanding production by 60 million cells. The project to manufacture plastic tubular cases for battery jackets

is also under government consideration.

SANDVIK ASIA

The sales of Sandvik Asia Ltd for the year ended March 31, 1970, have gone up from Rs 2.87 crores to Rs 4.79 crores. The profit before tax has more than doubled to Rs 68.82 lakhs. This has been arrived at after providing Rs 26.37 lakhs for depreciation. The net profit amounts to Rs 22.82 lakhs as against Rs 12.82 lakhs in the previous year, after providing for taxation of Rs .42 lakhs and setting aside Rs 4 lakhs for development rebate reserve. A sum of Rs 22.82 lakhs from the net profit is transferred to general reserve. The directors have proposed a dividend of Rs 12 per share for the year which will claim Rs 13.20 lakhs and will be paid from general reserve. The directors have decided to change the financial year of the company April-March to January-December. Accordingly, the accounts and reports that will be presented at the next annual general meeting will be for the period of nine months from April 1, 1970 to December 31, 1970. During the year the company's exports totalled Rs 22.08 lakhs compared with Rs 4.25 lakhs in the previous year. These include exports through Messrs Atlas Cap-Co (India) Pvt Ltd who are the sole selling agents for rock drill steels.

INDIAN STANDARD WAGON

After transferring the balance standing to the credit of general reserve amounting to Rs 1.43 lakhs and writing back excess provision for taxation to the credit of profit and loss account and after providing Rs 6.56 lakhs for depreciation and Rs 2.95 lakhs to other reserves, the Indian Standard Wagon Co. Ltd has reported a net balance in the profit and loss account for the year ended March 31, 1970, and this together with the loss brought forward from the previous year aggregating Rs 122.14 lakhs has been carried forward to next year. For the previous year, the comparable figure was a loss of Rs 41.88 lakhs after providing Rs 5.06 lakhs for depreciation, Rs 1.54 lakhs for retrenchment compensation and Rs 4.18 lakhs for other reserves. The directors have proposed to skip the equity of dividend for the fourth year in succession. The dividend on preference shares is also skipped as against 7 per cent paid previously.

CELLULOSE PRODUCTS

Mr Laxmikant Bhagubhai, managing director of the Cellulose Products of India Ltd, has expressed the hope that the company would be able to show better results in coming years as two new projects were coming up. Presiding over the company's annual general meeting in the absence of the chairman, Mr Y. N. Mafatlal, in Ahmedabad he told the shareholders that the Pillo-Pak board project was now ready for trial production and commercial production would start soon after. At full capacity the annual turn over of the project would be around Rs 1.20 crores. The Agar-Agar project established at Madurai had also gone into production since May last and its annual turnover was expected around Rs 18 lakhs to Rs 20 lakhs per year. The sales during the first four months amounted to Rs 83 lakhs compared with Rs 71 lakhs in the corresponding period of the previous year. He said that the board has once considered the question of bonus issue but felt that the government would not allow it owing to new policy guidelines. Hence the board decided not to recommend a bonus issue.

SESHASAYEE PAPER

The profit of the Seshasayee Paper for the year ended March 31, 1970, has risen to Rs 117.65 lakhs from Rs 58.31 lakhs before providing for depreciation. After wiping off the arrear of depreciation amounting to Rs 79.62 lakhs, the directors have set aside Rs 50.05 lakhs. The surplus of Rs 16.90 lakhs has been carried over to the current year against Rs 28.90 lakhs brought in. The dividend for the last working year has been passed over. It is not un likely that an interim dividend may come out as the current year's working is reported to be very good.

SANGAMESHWAR COFFEE

Sangameshwar Coffee Estates Ltd has earned a lower net profit of Rs 95,696 for the year ended March 31, 1970, after providing Rs 84,247 for depreciation and Rs 51,000 for taxation. A sum of Rs 50,000 has been transferred from the general reserve. Equity and preference dividend has been maintained at 10 per cent. Equity and preference dividends will absorb Rs 1.45 lakhs. The coffee crop was lower at 332 tonnes. For the current year the crop estimate is 388 tonnes.

AMUL

The sales turnover of the Kaira District Co-operative Milk Products Union (AMUL) has gone up by 12 per cent to Rs 27.19 crores for the year ended March 31, 1970. The working of the Union for the year has resulted in a net profit of Rs 17.04 lakhs against 16.44 lakhs for 1968-69. Despite the unsatisfactory monsoon in the district, the Union was able to get 10 per cent more milk during the financial year under review from member societies. The sale of liquid milk in 1969-70 went up by 43 per cent. The increase in the output of milk products was affected to this extent. The Union had 610 member-cooperatives on March 31, 1970 against 600 a year earlier, comprising a total farmer-membership of 1.75 lakhs against 1.48 lakhs in 1968-69. According to the Chairman of the Union, Mr T.K. Patel, the levy of excise duty on dairy products, other than baby food and ghee, and on metal containers has affected the operational economy of the Union.

SOUTH INDIA VISCOSE

The inauguration of the pulp plant of South India Viscose Ltd was an outstanding achievement of the year 1969, stated Mr. R. Venkataswamy Nadiu, Chairman while addressing the annual general meeting of the company recently. The plant has reached its rated capacity from July 1970 and the chairman is confiden that the company would meet not only its own requirements of wood pulp but also would have a surplus of nearly 14,000 tonnes for sale to other rayon, staple fibre, and cellophane production units. Mr Naidu added that the quality of the pulp produced in this factory has reached international standard for similar products out of bluegum. This pulp could also be used for the production of polynosic fibres according to the report submitted by the collaborators. This would fulfil the long felt need for a substitute for long staple cotton which is in short supply in this country.

Mr Naidu pointed out that the union government has issued a letter of intent for the expansion of staple fibre plant from 10 to 50 tonnes per day. The proposed expansion he added, would consists of 20 tonnes of normal stable fibre and the remaining of polynosic fibre. Most of the machinery and equipment required for this expansion would be available from indigenous sources and would be fabricated out of the drawings and experitise to be provided by the collaborators. The expansion is to be financed from internal resources. Mr Naidu added that the company has plans to double the capacity of the pulp plant from 60 to 120 tonnes per day. After necessary clearance from the union government and the assured availability of wood for this purpose the company would have a detailed survey of the forest resources in Tamil Nadu and the neighbouring states.

The chiarman revealed that the net profit of the company for the year 1969 was 31.09 lakhs after providing for depreciation. He added that the company would do better in the coming years in view of the pulp plant which has stablised the production of rayon and staple fibre by eliminating the imports of wood pulp. This has also contributed to the increase profitability of the company, he added.

COMPANY MEETINGS

POYSHA INDUSTRIAL COMPANY LIMITED

Extracts from the speech of the Chairman, Mr. M. R. Ruia.

POYSHA KEEPS GROWING

Last year I expressed the hope that the Poysha group (the units at Thana, Ghaziabad and Cochin) and Kaira Can would between them effect a total sale of about Rs 6.5 to 7 crores, unless something unexpected happened. I am glad to say that the hope has been fulfilled, the total sales by Poysha going up to Rs 5.42 crores, and by Kaira Can to Rs 1.54 crores, *i.e.*, to a total of Rs 6.96 crores in all. Including the sales (Rs 14.94 lakhs) of the wholly-owned subsidiary, Colrige, the total group sales were nearly Rs 7.11 crores. We should, in the normal course of things, top Rs 8 crores this year and possibly go a little higher.

Our gross profits for the year were Rs 50.32 lakhs, as against Rs 35.67 lakhs last year. The net profits, after providing for depreciation, development rebate reserve, managing agents' commission, and provision for taxation, amounted to Rs 27.66 lakhs, as against Rs 15.85 lakhs last year. The Company has, therefore, maintained the tempo of its progress during the year under review, in spite of increasing competition.

Shortage of Raw Material

The position of the main raw material, tinplate, continues to be somewhat difficult. Hindustan Steel have not been able to keep to their schedule over a period of several months. Various explanations have been given, but the fact remains that there is a serious backlog of our orders now pending with them, as well as with the Tinplate Company of India. In fact, the position has been so unsatisfactory that it has become somewhat unsafe to place continued reliance upon their promises of supplies during the course of a quarter, a half-year, or a whole year. As the industry cannot survive without an adequate supply of tinplate, the Government of India have been forced recently to allow the import of a large quantity of suitable tinplate for its needs, in view of the indigenous manufacturers' proved inability to effect satisfactory supplies. This is not a happy state of affairs, and we feel that the production of Hindustan Steel in the Rourkela factory should be rationalised and systematized to enable it to give the full service it can obviously give. The existing hand-to-mouth situation in regard to tinplate has resulted in a strange situation under which, while very high inventories have to be kept at a considerable cost, there is a chronic shortage of the correct sizes to meet day-to-day requirements. Recent discussions with Hindustan Steel, however, have given us some hope that the situation in Rourkela is on the road to tangible improvement. We trust this hope will be realised.

Rising Cost of Tinplate

There seems to be no end to the continuous rise in the cost of tinplate, which constitutes anything from 60 to 80 per cent of the total cost of the tin container. There has been a further substantial rise during the year under review; and to cap it all, an excise duty of 10 per cent *ad valorem* has been recently imposed on the finished can. It almost looks as if there is a determined attempt on the part of the authorities to price the tin can out of commercial existence. Apparently, the idea underlying the new excise duty is that a metal can is more or less a luxury article and deserves to be heavily taxed. I can only express my dismay at this sort of thinking, when the well-known fact is that about 30 per cent of the total food stuffs in the country goes to waste every year, and the only way to prevent such criminal waste is to give every possible encouragement to the Food Preservation industry and can as much of the food as possible, which would otherwise go to waste. I should have thought that this would have been one of the first priorities in the problem of maintaining adequate food-supplies, apart from large-scale irrigation, the use of fertilizers, etc. Apparently, however, the prevalent ideology does not bother about the facts, and the most promising means of food preservation, namely, the tin can, is being taxed both on its prime raw material and on itself as a finished product, not to mention the additional excise on the canned product, too.

Heavy Taxation

The tin can of today is a sophisticated product, it requires high-precision equipment, and it is required to pass stringent tests before it can be allowed to serve as a packaging for processed foods. In the general conditions prevailing in the country today, the tin can is a vital means of food preservation, under hygienic conditions and for long periods, not only in towns and cities but in the remotest rural areas. It is, in fact, the standard container for the rural store-keeper and serves various other purposes, besides food preservation. I would, therefore, most earnestly urge the Government to reconsider the imposition of this sort of heavy excise duty on the finished can, on the top of the steadily increasing levies being imposed on its primary raw material, namely, tinplate. I would suggest that, as a matter of food policy, a real fillip should be given to the growth of the can-manufacturing and food-preservation industries by abolishing the new excise duty and reducing the current levy on indigenous tinplate. I would again emphasise that food preservation is definitely not a luxury industry, as is erroneously imagined. We have indeed gone a long way from the Government's subsidy on O.T.S. tinplate four or five years ago to triple taxation on tinplate, tin containers and the canned products.

The packaging industry, with the exception of small-scale manufacturers of 4-gallon tins, is definitely not a small-scale industry, as the Government seems to think. The importance of adequate customer service, especially in the case of open top cans for packing food, and of complete technical service, is not well understood. The size of the operation makes a real difference to the consumer, both internal and foreign, and it would be mistaken policy to inhibit the further growth of can-manufacturing units beyond a certain comparatively low level.

Foreign Collaboration

I am glad to report that our efforts to arrange a technical collaboration agreement with American Can Company are bearing fruit. We have received a Letter of Intent from the Government, agreeing to the broad terms of the proposed collaboration, and we are now in the process of clarifying certain details, before concluding the matter.

Exports

I should like to say a few words regarding exports, to which we have been making general references in previous reports. I am glad to produce some concrete figures now for your information. From about the end of August, 1969, to the end of March, 1970, our exports amounted to a little over Rs 7 lakhs; from 1st April, 1970, up to now, they have increased by a further Rs 8½ lakhs; and the value of the orders in hand is slightly above Rs 37½ lakhs. Our existing exports are to the Middle East, in the form both of printed tinplate and of manufactured containers. We hope to increase, fairly rapidly, the volume and the range of these exports. These exports are, of course, in addition to the large-scale indirect exports in the shape of food and other goods packed in our containers, the value of which runs to several crores a year.

Shri Satish Chandra.

THE FERTILIZER CORPORATION OF INDIA LTD.

Following is the text of the speech delivered by Shri Satish Chandra, Chairman and Managing Director on 29th August, 1970 at New Delhi.

Gentlemen,

I have great pleasure in welcoming you to this 14th Annual General Meeting of the Corporation. The Directors' Report and Audited Statement of Accounts of the Corporation for the year ended March 31, 1970 have been circulated to you and, with your permission, I shall take them as read.

I am glad to inform you that during the year 1969-70 your Corporation made a gross profit of Rs 18.23 crores which, after providing for depreciation and interest, resulted in a net profit of Rs 2.52 crores. The turnover of the Corporation stood at the record figure of Rs 65.80 crores as against 48.79 crores during the previous year. Against an authorised capital of Rs 200 crores, the Corporation's paid up capital, including advance by Government of India towards equity shares, was Rs 96.55 crores.

Our Nangal and Gorakhpur units have yielded profits of Rs 7.18 crores. As in the previous years, the performance of Nangal was the best among the production units. The unit's production during the year not only exceeded its target but also exceeded its rated capacity of 79,540 tonnes Nitrogen slightly by 225 tonnes. Production of heavy water also was an all time record a: 15,846 Kgs. against the rated capacity of 14,100 Kgs.

Gorakhpur's production during its first full year of operation was 72,710 tonnes of Nitrogen, or 91% of the rated capacity of 80,000 tonnes.

Sindri has suffered a marginal loss of Rs 26 lakhs. Its production during the year was 87,306 tonnes of nitrogen against the attainable capacity of 99,250 tonnes *i.e.*, production was achieved at about 88% of the attainable capacity. Sindri has shown progressive improvement in production from 1967-68 onwards.

Trombay and Namrup, on the other hand, produced only half of their rated capacity. Trombay produced 48,012 tonnes of nitrogen and 16,988 tonnes of P_2O_5 while Namrup produced 22,920 tonnes of nitrogen. They together suffered losses totalling Rs 4.40 crores. For Namrup it was, however, the first full year of commercial operation. Your Directors are deeply concerned over the performance of these two units and are continuing with their efforts to improve it.

The internal resources of the Corporation arising from its revenue surpluses and the amounts allocated towards depreciation by the production units during the year amounted to to Rs 11.76 crores as against Rs 12.96 crores during the previous year. Total internal resources generated since the inception of the Corporation's oldest unit at Sindri amount to Rs 95.64 crores including Rs 79 crores of depreciation and Rs 13.29 crores of Development Rebate Reserve.

There are at present four major projects under construction by your Corporation. These are Durgapur in West Bengal, Barauni and Sindri Rationalisation projects in Bihar and Namrup Expansion in Assam. Of these Durgapur is expected to go on stream early in 1971 and Barauni and Namrup Expansion a year later. Problems of indigenous supply of equipment are proving very difficult.

In addition, our Planning and Development Division has started work on the coal-based plants at Talcher and Ramagundam. Work on the third coal-based plant at Korba will start later. Each of these projects will have the capacity of 900 tonnes per day of ammonia and 1500 tonnes per day of urea. Government have also approved recently the Trombay Expansion project based on ammonia imported from Iran and Kuwait. This project will yield 132,000 tonnes of both nitrogen and P_2O_5 per year. Preparatory work in respect of two other major projects at Haldia and Nangal has also been taken in hand. For Haldia a protocol has been signed with Ensa-Polimex group for identifying and tying up supplies and services on the basis of Franco-Polish credits. Two licence agreements have also been signed with Monticatini Edison, one for an ammonia plant and another for a urea plant. Action is being taken for firming up the specifications of equipment and for concluding the other licence agreements. In respect of Nangal Expansion, discussions regarding financing are continuing with the World Bank.

The Marketing Division of the Corporation was strengthened during the year and a large network of dealers was established in various parts of the country. At the same time, full utilisation was made of the existing co-operative and other official institutions and organisations. Marketing research and survey cells *cum* statistical sections were set up in the Marketing Division at the Head Office, in the Eastern Marketing Zone and in Trombay. Large scale promotional efforts have also been undertaken comprising of fertilizer demonstrations organised in a number of States with the assistance of the extension machinery, farmers' days, festivals, seminars, etc. In particular, preparations are being made for handling nearly a million tonnes of urea to be produced every year from 1973 onwards in the Eastern Marketing Zone comprising the States of Bihar, West Bengal, Assam and Orissa.

The Wage Board award has generally not been acceptable to the workers. But in many units/divisions unions have signed agreements with the management for continuing with the Government scales of pay and dearness allowance with a minimum wage of Rs 170 recommended by the Wage Board. Industrial relations, on the whole, have been satisfactory.

In conclusion, I am happy to put on record my gratitude to you, the shareholders, for the confidence, trust and understanding extended to your Directors and to me throughout. I also express my gratitude for the co-operation and assistance I received from the officers and employees of the Corporation in the matter of formulation and implementation of your Corporation's policies and programmes. I have no doubt that these will sustain us in facing the challenging problems posed by the growing activities of an expanding organisation in the years to come.

(This does not purport to be a report of the proceedings of the Annual General meeting).

SOUTH INDIA VISCOSE LIMITED COIMBATORE

Sri R. Venkataswamy Naidu's Review

Addressing the Twelfth Annual General Meeting of the shareholders held on 29th August, 1970 at 10.45 A.M. at the Registerd Office of the Company at 'Shanmuga Manram', Race Course, Coimbatore-18, Sri R. Venkataswamy Naidu said :

Ladies and Gentlemen,

I have great pleasure in extending to you all a hearty welcome to the Twelfth Annual General Meeting of the Company.

It was not possible to hold the Annual General Meeting before the end of June, 1970 as the accounts could not be prepared in time in view of the heavy capital expenditure incurred on the construction of the Pulp Plant during 1969.

The Annual accounts and the Directors' Report have already been circulated and with your permission I will take them as read.

PULP PROJECT:

The outstanding achievement of the year 1969 was the inauguration of our Pulp Plant on 21-12-'69 by His Excellency Sardar Ujjal Singh, the Governor of Tamil Nadu, when Thiru S. Madhavan, the Honourable Minister for Industries presided over the function. During his presidential address, Thiru S. Madhavan emphatically assured that the Government of Tamil Nadu would render all assistance for further development of the industry and that the Government of Tamil Nadu would stand by all the assurances given at the time of starting of the industry. He also stressed that developing countries not only should mobilise their resources to the maximum but also should foster a climate which would encourage foreign investment. On behalf of the Government of Tamil Nadu, he held out the assurance that the Government of Tamil Nadu would foster such a climate.

Though our country is not endowed with long fibre varieties of wood, we have been able to produce dissolving pulp utilising hard wood with short fibre of "Eucalyptus globulus". It is a matter of pride to us that this venture has created the possibility of utilising the high range forest areas not fit for other cultivation, for growing bluegum, thereby augumenting the revenue of the State and providing employment opportunities in these areas. The afforestation of the high range forest areas with the growth of the bluegum will improve the climatic conditions of the Nilgiris attracting rain as this afforestation will involve regular cutting and regeneration of trees.

The Pulp Plant has reached its rated capacity from July. 1970 onwards and we are confident of meeting not only our own requirements of wood pulp without depending upon imports but also will have a surplus of about 14,000 Tonnes for sale to other rayon, staple fibre and cellophane production units. This would mean increased profitability to the Company and also saving of considerable foreign exchange to the country.

I am glad to report that the quality of the Pulp produced in our factory has reached international standard for similar product out of bluegum.

We have received a report from our Collaborators that this pulp can be utilised for the production of Polynosic fibre also. The Polynosic Fibre production will fulfil to a large extent our long felt need for a substitute for long staple cotton which is in short supply in our country.

EXPANSION:

In this context I am glad to inform you that the Government of India have issued a Letter of Intent to us for the expansion of our Staple Fibre Plant from 10 to 50 Tons per day. The proposed expansion of 40 tons will consist of 20 Tons normal staple fibre and the balance Polynosic fibre. Most of the machinery and equipment required for our expansion project will be procured from indigenous sources and will be fabricated out of the drawings and expertise to be provided by our Collaborators. The foreign exchange requirements for our expansion are expected to be minimal. The expansion will be financed from our own generated resources.

I am happy to inform you that your company has a scheme to double the capacity of the Pulp Plant from 60 to 120 Tons per day. Of course this expansion is subject to the issuance of necessary Industrial Licence by the Government of India and the availability of wood. Your Company is proposing to have a detailed survey of the forest resources in Tamil Nadu and the neighbouring States to explore the possibilities of getting adequate wood supply.

RAW MATERIAL:

I wish to report a disquieting feature with regard to our raw material position. The Government of Tamil Nadu have originally agreed to supply bluegum and wattle wood at fixed rate for a period of 10 years and 7 years respectively, while retaining the right to review the terms after three years of the commencement of the agreement. Unfortunately even during the pendency of the agreement and even before the Pulp Plant was commissioned, they proposed to revise the agreement by enhancing the rates. We have requested the Government to retain the terms of the old agreement during the duration of the agreement. We have also submitted to the Government that any change made in solemnly entered agreements would create difficulties for this Company; it will upset the confidence of foreign collborators and bankers and in the long run it will affect the industrialisation of this State. I am confident

that the Government of Tamil Nadu will accede to our request and will not insist on making any changes in the agreed terms.

In order to meet the long range requirements of bluegum and wattle wood, we have requested the Government of Tamil Nadu for a long term lease for 20,000 acres in Gudalur Taluk and negotiations are pending. Your Company is taking all steps to stabilise the arrangements for transporting wood to the factory.

POWER:

I take this opportunity to thank the government of Tamil Nadu and the Tamil Nadu Electricity Board for having permitted us to operate our 5000 KVA Turboset in parallel with the State Grid, as a special case, to ensure uninterrupted power supply to the essential loads in our factory and also to generate about 10 million units of energy per year for the Company. Such an arrangement for an uninterrupted power supply is essential to a continuous industry like yours, as otherwise, any interruption in power would seriously damage the equipment and will involve foreign exchange for renewal.

FINANCIAL RESULTS:

You would have noted with concern that though the production and sale of our products increased over those of 1968, there was no corresponding increase in the gross profits during the year under review on account of the rising cost of raw materials and wages.

Our net profits for the year under review is Rs. 31.09 lakhs after providing for depreciation of the Pulp and Rayon Plants. Though the prospects of profits of Rayon and Staple Fibre are not very bright mainly because of the restrictions imposed by the Government, I can assure you that your Company will do well in future because of the pulp production. The decision of your Board of Directors to erect the Pulp Plant has proved to be a commemendable forethought. This has not only stabilised our production of Rayon and Staple Fibre by eliminating the imports of wood pulp but also has contributed to the greater profitability of your Company, by utilisation of its generated resources for production of its own essential raw material.

EXCISE DUTY:

A reference was made in our last report to our being obliged to resort to legal remedies for ending the discriminative and unfair levy of excise Duty at higher rates on Viscose filament yarn by coupling the clearance of both staple fibre and filament yarn. Though our petition has not been admitted, further respresentations have been made in this regard to the Government.

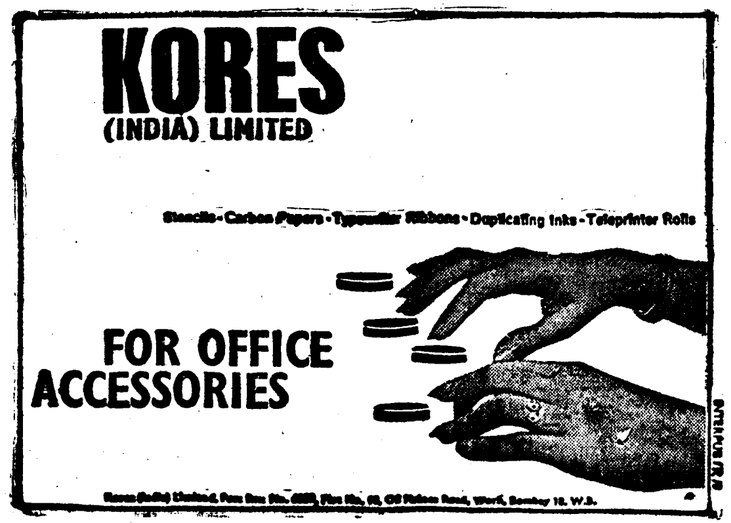
CONCLUSION:

Man made fibre industry has an intensive growth potential in India. I am quite confident that your Company will play a notable part in this field, thereby, contributing to the economy of the Nation.

The relations between the Labour and Management were cordial during the year.

I take this occasion to thank our Collaborators M/s. Italviscosa Eastern Trading S.p.A., for their assistance in setting up and commissioning the Pulp Plant in record time. I also wish to express my thanks to Industrial Development Bank of India, Mediobanca of Italy, State Bank of India, Bank of Baroda and Indian Bank for their financial assistance to our Pulp Plant; also to my colleagues on the Board for their whole-hearted co-operation and to our employees at all levels for their unstinted services.

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



Readers' Roundtable

ROAD PROGRAMMES AND UNEMPLOYMENT

Sir,

We appreciate your editorial "Trouble on the Road" (*Eastern Economist*, August 7, 1970) as a welcome endeavour at a balanced presentation. We would, however, like to clarify a few points.

The Indian Roads and Transport Development Association (IRTDA) is devoted to the cause of road development and promotion of road transport as a means of securing overall economic and social advance in our country. The IRTDA has been, naturally, seized of the problem of unemployment. On November 21, 1969, the IRTDA presented at a press conference in Bombay a paper outlining a programme of roads and road transport development to tackle the problem of unemployment.

The IRTDA's paper was based on a report of the National Council of Applied Economic Research, entitled "Employment Potential of Road Transport". The norms of employment generated in various sectors as identified by the Planning Commission also support the IRTDA thesis. According to the Planning Commission, the employment generated in terms of man-years, from an investment of Rs one crore in each, are 8,000 in forestry, 7,000 in irrigation, 5,200 in agriculture and 5,000 in housing, and 2,260 in fisheries. It is below 2,000 in animal husbandry, community development, power, village and small industries, large and medium industries, railways, ports and harbours as well as social services. It is even less than 1,000 in co-operatives, civil aviation, posts and telegraphs as also broadcasting, education and health.

In respect of roads *alone*, both according to the Planning Commission and the NCAER the output of jobs for an investment of Rs one crore exceeds 10,000. This is because 60 per cent of road investment, represent wages. *Additionally*, on the operational side of road transport 2,500 more permanent jobs will be created. A dose of investment yielding 19 jobs in railways, 17 in small or large industry, 50 in agriculture or housing can secure to the economy more than 100 jobs, if directed into road programmes, not to mention a bonus of 25 jobs in road transport.

The opportunity costs of road investment, too are very appreciable. The costs of our reluctance to allot adequate finance for roads would mean, sooner or later, the obligation to maintain 20 million citizens on some form of unemployment doles, as an alternative. At only Rs 600 each per annum this will gross up to Rs 1,200 crores!

Road investments have these advantages over unemployment doles. (1) A community asset is created which promotes further employment in road transport. (2) The community recoups the *entire* road investment in just 2½ years, by way of taxes on road transport. On the community's investment of Rs 1,265 crores, net of maintenance expenditure, tax revenues from road transport in 1969-70 amounted for Rs 512 crores. This annual return on investment amounts to 40 per cent net of maintenance.

The Keskar Committee has established beyond a shadow of doubt that every commercial vehicle yields as tax payments Rs 13,000 to the public authorities annually. Our hesitation to build adequate roads and promote road transport through a growth-oriented policy, hamstring the pace of our development.

Judicious use of deficit financing constitutes a development strategy in all developing economies. Which other anti-inflationary investment, quick-maturing community asset capable of investing the existing endowment of resources with higher productivity than road programmes, exists? The green revolution cannot be confined to a few pockets of all-weather roads and assured water supply. The only way out of rural stagnation is to enmesh the *entire* rural economy with all-weather rural roads. We endorse unreservedly President Giri's suggestion to resort to deficit financing, if necessary.

It is odd that in an era of planning, investment in road development should be governed by *ad-hocism*. The IRTDA President has established that road outlays are in splendid isolation, unrelated to growth rates of traffic, investment in commercial vehicles and tax revenues tapped from road transport. Further uniform criteria are not applied for clearing investment plans in rail and road. It is no credit to a system of priorities if it results in a right policy for one mode of transport and just the opposite for another.

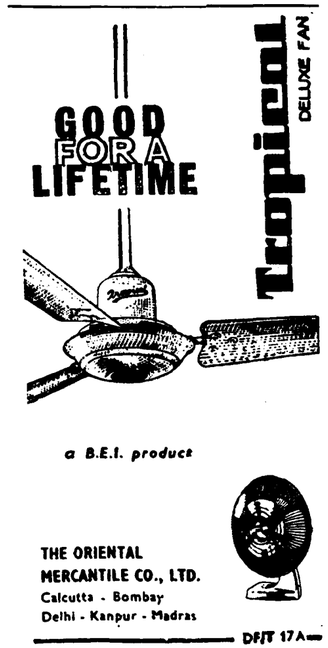
The excuse that the government have to meet the demands of the other sectors is unique among lame ones. It fails to disguise the irrationality of the spending spree on rail and the starvation on roads. Precisely because the resources are scarce and demands are countless, we have to evolve a scheme of priorities that will optimise output, incomes and employment.

The Chief Engineers' Plan has an unmistakable relevance today. Employment-creation cannot be an exclusive programme by itself, abstracted from other developmental activities. It is the chief goal of the whole exercise of planning in the 'seventies. The IRTDA President's case for a better deal for road development, was based on these facts.

Yours, etc.

K. MEENAKSHISUNDARAM
Assistant Secretary,
The Indian Roads and Transport Development Association Ltd.

BOMBAY



BOOKS BRIEFLY

Jobs for Millions

Jobs for Our Millions: V.V. Giri; Vyasa Publications, Madras; 1970; Pp 116; Price Rs 10.

Absenteeism in Industries in Bombay—A Survey: The Employers' Federation of India, Bombay; Pp 43; Price Rs 3.

Dimensions of Industrial Relations in India: Edited by Dr B.S. Bhir; United Asia Publications; Bombay, 1970; Pp 169; Price Rs 20.

Money and the Balance of Payments: Tibor Scitovsky; Unwin University Books; London; Pp 188; Price 16s net.

Fiscal Policy in Underdeveloped Countries: Raja J. Chelliah; George Allen and Unwin Ltd; Pp 216; Price 35s.

Studies in the Taxation of Agricultural Land and Income in India: T.M. Joshi, N. Anjanaiah and S.V. Bhende; Asia Publishing House; Pp 381; Price Rs 35.

Reviewed by Prof. S.S.M. DESAI

It is symptomatic of the times and conditions in which we live in India after more than 20 years of independence, that a man like V.V. Giri should think it fit to write *Jobs for Our Millions*. The author was feeling for quite some time that "there was something fundamentally lacking in our development plans" and that "the current tempo of economic activity is insufficient to provide productive employment to all, in particular to the small tiller and the artisan." This is obvious from "the ocean of a backlog of unemployment" with which every new five-year Plan starts. The author therefore pleads that "effective steps have to be taken on a war-footing with the primary aim of generating employment combined with rapid economic growth." He wants "a pragmatic approach" and the programme he has suggested should not be "judged against pre-conceived standards and economic theories not applicable to the current Indian situation." Since Mr Giri has stated that "these proposals come from me as an individual and not in any representative capacity" (p. 10), it would be perfectly justifiable and also fruitful to look critically into the programme which he has adumberated in this thin booklet of less than 120 pages to solve what possibly is the most gigantic, complex and baffling problem which India has been facing.

Failure of Plans

While the Directive Principle of State Policy states that all citizens have the right to adequate means of livelihood, the author rightly bewails that our five-year plans have so far miserably failed to move successfully in that direction. He wants that "Manpower budgeting should reach a state of near perfection to enable the planners to quantify the impact on actual employment in rural and urban areas of Plan efforts." This is easier said than done. When the quality of statistical data even in the organised urban sector of our economy is such that our statistics is said to lie somewhere between palmistry and astrology, it would be futile, neigh impossible, to achieve the exactitude in manpower budgeting covering lakhs of isolated villages inhabited by population that is mostly illiterate and apathetic.

Rising Unemployment

According to the author the estimates of unemployment vary from 10 to 50 million and of underemployment from 100 to 170 million. To this figure very large additions must be made annually due to population growth. That should give some idea of the dynamic process of growth needed to absorb India's idle manpower. V.V. Giri has great faith in co-operative farming as a means to absorb the vast rural unemployed and under-employed labour. The author has quoted extensively Jawaharlal Nehru on this subject of co-operative farming (pp. 37 to 39), "which is the right objective to aim at" and which is "the logical, scientific and reasonable approach." That Nehru said so, cannot be valid argument today. And what has been India's experience in this field? The repeated failures in this field and consequent wastages of human and material resources are writ large on the pages of the reports of the Planning Commission, the Co-operative Farming Advisory Body, the FAO and the Gadgil Committee. Further, the main reason why co-operative farming was insisted upon all these years was that the average size of Indian farms is small. Well, has not Japan shown that with average units of cultivation smaller than in India, it is possible to produce more per hectare than large farms in even the USA and USSR? To advocate co-operative farming may be in consonance with agricultural techniques of production prevalent some two or three decades ago; but there have been revolutionary changes in that field making co-operative farming unnecessary. The attachment of the Indian farmer to his piece of land is so firm and intense that one at once is inclined to accept the observation of Gunnar Myrdal that no scheme of agricultural reorganisation in Asia would succeed which does not fully recognise the right of the farmer over his piece of land. But then co-operation has become our creed! It is characteristic of the Indian mind that we sanctify and deify not only persons but also institutions. When will we learn that co-operation is only one of the forms of business organisations suitable to particular occupations and only under certain circumstances.

Land Colonisation Programme

In India about five crores of cultivable waste land is available and on that basis, V.V. Giri has adumberated in great detail a bold and an imaginative programme of "land colonisation". No doubt the policy to solve the vast and complex problem of unemployment in India has to be based on some unconventional and unorthodox methods. But 'the Garden of Eden' proposed by the author with no ownership rights conferred on any individual and with common community kitchens and village self-sufficiency, reminds the discerning readers of the Fourierist colonies in the USA established in the latter part of the 19th century by that eccentric utopian socialist and which after farcial existence of some years inevitably collapsed for the simple reason that they went against some of the basic human instincts.

Another major item of the author's programme to provide jobs for our millions is to go in for labour-intensive rural works programmes such as large-scale rural housing, massive development of small and village industries and diffusion of industries from urban concentrations to small towns and rural areas. Yes, there is merit in this suggestion. And it is one of the traversities of our planning that when thousands of our young engineers are begging for work, when villagers and townsmen want homes, schools, hospital buildings and roads which can be built with indigenous raw materials available without any assignable limit, when necessary technical knowledge is already there and when necessary capital goods can be produced locally without involving any foreign exchange, nothing is being done and people are made to live sub-marginal life. The rural unemployment problem can be tackled in the manner pointed by Giri ; but then one should be ready to settle for a lower growth rate. To simultaneously aim at labour-intensive technique and a very high growth rate is to run in the face of facts and theory. It is not given to us to choose both, at least in the short-run. But there should be no objection if the former choice is made with open mind and accepting a lower growth rate.

And thus arguments go on though 30 chapters which include all the time-worn cliches and platitudes with which we have become all too familiar these last 20 years. The whole thing appears like a string of good intensions rather than an analytical framework for providing jobs for our millions. That some unorthodox method to deal with the problem of unemployment is necessary should be clear by now. The traditional method of just raising the level of investment or talking in terms of income-investment ratio or capital output ratio will take us no where. But then merely to assert is not to argue. The problem is of such continental proportions that its solution will require all that is best in the country. But when one scans the political horizon and sees the moral corruption which has been festering the Indian body politic from top to bottom, one really is left wondering whether anyone is really serious about creating jobs for our millions. It is the moral will that is lacking and not the resources and programmes for the solution of this problem.

Jobs for Our Millions contains no new ideas. It is mostly platitudinous, the ideas lying helter-skelter in chapters which lack logical arrangement. Pragmatism and unconventional thinking do not mean intellectual disorder. The book may adorn the shelves of ministers and officials but not of the academicians and at the most may stand as a testimony to the good intentions of V.V. Giri and no more.

Absenteeism

Absenteeism in Industries in Bombay is a study of much significance because such absenteeism has a direct bearing on the cost-price inflation.

The report is based on a survey of 30 units belonging to 21 companies and located in Greater Bombay, for the the period 1962-1964. The units represent a cross-section of Indian industries, small, medium and large. In 1964, these units employed 33,510 persons which constituted 15 per cent of the total employment in manufacturing industries in Greater Bombay. The object of the survey is to assess the magnitude, the pattern and causes of absenteeism among the permanent employees.

The classification of workers by employment status showed that on an average 73 per cent of workers were employed on a permanent basis, about 11 per cent as temporary hands, 2 per cent as casual workers and about 14 per cent as badlis. The sex-wise distribution of permanent workers showed that male workers constituted about 94 per cent and female workers on an average about 6 per cent. Also, it was observed that paid annual leave, sick leave and paid casual leave together accounted for a total leave period of 83 days on an average of 300 working days.

Seasonal Absenteeism

The survey disclosed that absenteeism among the permanent factory or mill employees in Bombay ranged between 13 to 15 per cent in almost all the industries covered by the survey. There were striking differences in the rates of authorised and unauthorised absenteeism. Considering all the industries together, the proportion of authorised absenteeism in the total absenteeism amounted to about 70 per cent and that of unauthorised absenteeism to 30 per cent. One interesting fact revealed by the survey was that the authorised absenteeism was fairly concentrated in the first two quarters viz. January-March and April-June in most of the industries.

Causes making for absenteeism presented a kaleidoscopic picture for each industry. Generally, 'other causes' contributed a great deal to absenteeism in the cotton textile, chemicals and chemical products, engineering industries and electric supply units. 'Sickness' was responsible for a high rate of absenteeism in transport equipment (viz. 6 to 7 per cent) and to some extent in chemicals and chemical products, electric supply and cigarette manufacturing industries (viz. 4 to 5 per cent). 'Religious and other causes' occupied the next important place, while the contribution of 'accidents and maternity' to absenteeism was rather insignificant. As regards the importance of causes in different quarters it was disclosed that 'sickness' and 'accident and maternity' mainly contributed to absenteeism in the quarter July-September, while the quarters January-March and October-December were prone to absenteeism due to 'religious and social causes'. 'Other causes' accounted for a comparatively high proportion of absenteeism in the quarter April-June. This pattern was broadly true for practically all the industries covered by the survey.

As regards shift-wise absenteeism, it was found that in industries which operated general as well as first, second and third shifts, the rate of absenteeism was relatively greater in the general shift than in other shifts. In industries where the shift-working was confined to first, second and third shifts, absenteeism was high in the third shift than in the second, and greater in the second shift than in the first.

Migratory Labour Force

There was considerable identity in the views expressed by the management on the various aspects of absenteeism. The management of most of the units were of the opinion that the workforce in the factories was basically migratory in character as it was village-based and periodically migrated to native places for varied reasons such as management of land, meeting relatives, attending social and religious functions and change of climate. The mean duration of absence during their periodical migration works out to 24 days. As regards the trend of absenteeism after pay day or payment of bonus, surprisingly the replies of the management did not conclusively indicate that it tended to increase after payment of wages and bonus. The management was of the opinion that among other reasons for the growth of absenteeism, liberal leave provision under the Employees State Insurance Scheme, increase in income due to dearness allowance and side income activities were important contributory factors.

In order to curb the growing tendency towards absenteeism, the management absenteeism, the management of some concerns operated incentive schemes such as attendance bonus scheme and production bonus scheme. The impact of such incentive schemes was however mixed.

Management of many concerns were of the opinion that absenteeism adversely affected production. Among the suggestions made by a number of managements to mitigate the evil of absenteeism, stress was laid on the need to provide better medical aid, hospitalisation and housing facilities and tightening of the rules of sick leave and the ESI scheme. Another important suggestion was that discipline in the matter of leave should be enforced with the full cooperation of trade unions.

There are some obvious limitations on the methodology used for this survey. Information in regard to rates of absenteeism is available in the country only for a few industries. Also, the data on the cause-wise rates of absenteeism is available on a monthly basis only in the case of a few industries. Further, there is no uniformity in the compilation of statistics on absenteeism. What

is more important, since the statistics of absenteeism is collected on voluntary basis, the variation in the degree of response from month to month also vitiates the trend in absenteeism. It is indeed regrettable that after so many years of industrial planning, the country still gropes in the dark regarding the extent and magnitude of absenteeism in Indian industries.

In spite of these limitations from which this brief survey suffers and though the survey is extremely limited in its coverage, this small booklet will serve as a good model for further and more intensive studies which must be encouraged in view of the great significance of the problem of absenteeism to a developing country such as ours and its direct and serious bearing on wages and production.

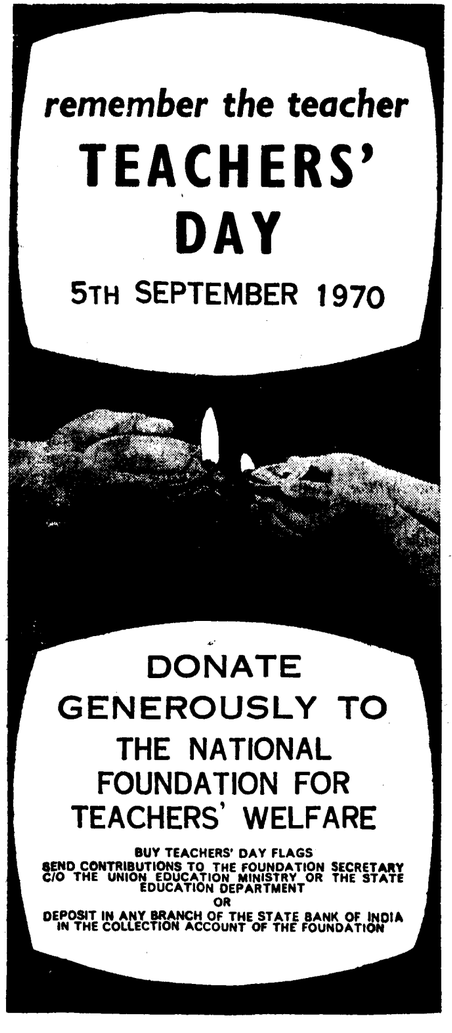
Industrial Relations

Dimensions of Industrial Relations in India has been brought out to celebrate the 50th anniversary of the International Labour Organisation (ILO) and is a fitting tribute on the occasion of ILO's golden jubilee celebrations.

The book covers a wide range of problems in the field of industrial relations incorporating within its canvas varied topics like the wage boards, workers' participation in management, industrial co-parternship, wage-oriented productivity techniques, trade unionism by objectives, comparative performance of the public and private sectors in the field of industrial relations, human relations in industry, promotion of better industrial relations, collective bargaining, etc., etc. The list of contributors, beginning with Mr V.V. Giri, includes enlightened employers, labour leaders, academicians and social scientists.

Mr V.V. Giri and Mr N.M. Tidke have in broad outline described the role which ILO has played during the last 50 years. They have emphasised the ILO's standard-setting work which has given a new dimension to international thinking and has contributed, in a way, to the 'common law' of the industrial world. Writing about the tasks before the ILO, Jaisukhlal Hathi writes that a worker wants a higher wage and everything must be done to enable him to get is, when he is prepared to work harder and train himself for greater responsibility. The worker must be integrated in our national effort as an equal. The author also suggests that there should be a special programme of action concerning productivity and the ILO should give clear guidelines on how productivity gains should be shared between labour and management and by them with society.

Naval H. Tata has written an excellent article on two decades of ILO. According to him it is but appropriate that the ILO has decided to launch the 'World Employment Programme' to synchronise with the celebration of its 50th anniversary. The programme, he says, is evidence of increasing realisation on the part of the ILO that its traditional activity in the field of standard-setting, by itself, cannot attain social justice, unless it is effectively backed by a programme intended to increase the opportunities for employment coupled with training of workers. The author has rightly warned that the fundamental factor in the programme being creation of jobs, it is absolutely necessary for developing countries to exercise extreme discretion in formulating a rational wage policy, as a nation's wage policy has a direct bearing on many aspects of employment. To ignore



the index of national per capita earnings as a guide for fixing minimum wages would indeed be suicidal, since such false luxury of high standard could only be at the cost of eroding potential employment by boosting the wage rate higher than the nation could afford.

While Dr Bhir has given a long survey of the ILO from 1919 to 1969 and the different roles which it has played in various fields, V.B. Karnik has made certain suggestions as to what the Government of India should do to give effect to some of the recommendations of the ILO. R.G. Gokhale has put forward a powerful plea for the appointment and effective role of tripartite (voluntary) wage boards. He has emphasised the evolution of a well-conceived wage policy to secure a satisfactory balance between fair wages to worker, fair profits to the employer and fair prices to the consumer. He wants that the wage policy aimed at should take into consideration the capacity of industry to pay, relationship beween wages and national per capita income and labour productivity. L.G. Joshi has written an excellent article making constructive suggestions regarding the role of government in labour matters, collective bargaining, recognition of trade unions, works committees, grievance procedure and communication system between labour and management. He feels convinced that unless there is a convincing change in the attitude of both employers and workers and unless they accept the position that they have to work in union in the interest of national economy, the future of industrial relations in this country would continue to be uncertain and bleak. He pleads that in realising the above objective, the government should not assume the role of a super arbiter of fortunes of both employers and workers but should adopt the role of their friend, philosopher and guide.

Industrial Co-Partnership

M.R. Meher has analysed the causes that were responsible for the failure of works committees, joint management councils and industrial co-partnership. The advantages of industrial co-partnership (by employee shareholding scheme) were stated to be that the workers would acquire a feeling that the enterprise belongs to them, the stock holding would be more broad-based, that the scheme might prove a deterrent to industrial strife and might act as an anti-inflationary measure. The author feels that the advantages claimed for co-partnership proved to be only wishful thinking. There is already in this country a system of profit sharing under the payment of Bonus Act. But the system has not led to, nor created among workers any sense of partnership in the industry nor a sense of belonging to the industry. A sense of real partnership can be generated only if the party concerned has some stake in the business. Bonus is only a one way traffic and while workers have a share in profits, they have never agreed to share losses with the entreperneurs. The author, therefore, concludes that the way to improve employer-employees relations lies in other direction than industrial co-parternship.

Writing about industrial relations in public and private sector, K.K. Bhatia opines that as yet we do not have sufficient details on various facets of the problems separately for the two sectors and consequently no pin-pointed conclusions can be drawn. The psychological analysis of industrial conflicts by Mrs S.A. Vaidya is very good; but the author has failed to indicate what contribution psychology can make towards the solution of the problems of industrial conflict. The same may be said of sociological analysis of industrial relations by R.D. Joshi.

Problems of Collective Bargaining

What are the prerequisites of successful collective bargaining? N.H. Vakil has given a fairly satisfactory answer to the above problem. According to him, success of collective bargaining depends upon: proper attitude of employers as also of labour unions, bargaining at the plant level, *bona fide* negotiations on the points of difference or demands with a view to reaching an agreement, negotiations on the basis of facts and figures and avoidance of unfair practices on either side.

This volume contains an excellent collection of specially written articles dealing with practically all the important aspects of Indian labour problems. Possibly it must have been thought improper to write anything that would denigrate the ILO on the occasion of its golden jubilee. That possibly explains why no writer has tried to probe into the problem of whether the relatively high standard-setting by the ILO in respect of wages, hours of work, bonus, etc., etc. under the influence of the developed western countries has not all along been producing an adverse effect on the industrial development of agricultural and overpopulated countries of Asia and Africa and whether there should not be different standard-setting for Asia and Africa taking into consideration their special environment, resources and objectives.

Any way this book would be found immensely useful to all those who are interested in the problems of industrial relations in India.

A Terse Analysis

Tibor Scitovsky's name is well-kown for his significant contribution to the welfare economics. Naturally, it is with a feeling of great expectation that the reader takes up this new book on *Money and the Balance of Payments*, especially because it is quite some time since James Meade published his famous book *The Balance of Payments*.

Generally, theory of money and problems of the balance of payments are discussed separately, the latter analysis making a number of assumptions regarding monetary theory. This naturally causes some confusion in the minds of readers. Such a treatment does not make for clarity, especially for the students of balance of payments. The author therefore felt it proper that since problems of the balance of payments are in a sense mere extension of the monetary theory to the international sphere, he should make an attempt to assemble and present as a unified whole the many scattered theories and arguments that together add up to a theory of balance of payments adjustment.

In the first part, consisting of six chapters, the author has made an attempt to answer such questions as what determines the demand and supply of money in relation to total assets, of total assets in relation to the level of income, and how discrepancies between demand and supply affect economic behaviour and level of income.

The second part, consisting of 14 chapters, is concerned with the sole question of how market forces and policy restore equilibrium in the balance of payments and how, at the same time, they affect the level of income.

The author defines equilibrium and disequilibrium in the balance of payments and analyses the sources of disturbances and distinguishes them according to their impact on the domestic economy. This yields a three-fold classification: (i) sources of disequilibrium that simultaneously worsen the balance of payments and lower incomes or improve payments and raise incomes; (ii) those that worsen payments while raising incomes or improve payments while depressing the domestic income level; and (iii) those that have no impact on incomes.

The first group comprises a shift in demand from one country's output to another's, since it is such shifts that cause similar changes in a country's balance of payments and level of income.

International capital transfers cause similar disturbances, whether they are occasioned by political exaction, foreign aid or foreign lending.

The second group comprises payments disturbances caused by differences between different countries' cost levels or rates of general price increase. This is the opposite case of the relatively easily managed case of the previous group, and indeed it happens to be the most intractable cause of balance of payments disequilibrium.

Effect on External Reserves

To the third group belong payments disturbances that leave a country's account unchanged and affect only its liquidity position. They have their source, therefore, in someone's wish to change the composition of his portfolio of assets. Thus an American's desire to add to his holdings of foreign assets and benefit by their higher yield is one example; a foreigner's desire to obtain long-term loans on cheaper terms of this country is another; and a third example is that where foreigners, simultaneously with borrowing in this country on long-term, lend on short-term by buying US short-term securities of the kind used as external securities. It is obvious that none of these disturbs current account equilibrium. All of them affect external reserves, and in the opposite direction, also the country's long-term foreign asset position.

The author after analysing and discussing automatic payments adjustment, deals with particular problems and characteristics of each of the above three groups.

Having analysed payments adjustment through the actions of individual decision makers and having dealt with the adjustment policies of the national authorities, the author discusses the functions of international organisations and international co-operation in dealing with the problems of international payments. There are according to the author two possible functions for them to perform: to provide external reserves and secondly to impose rules of behaviour on national authorities to co-ordinate their economic policies and actions.

It is a small book tersely written and highly analytical. And though the author maintains that the book is written for students of economics who have only a general knowledge of economics and economic institutions but no specialised knowledge of the topic of the book, proper grounding in monetary economics would be needed, if the analysis of the book is to be fully understood and policy implications appreciated. And further though the author prides himself on the shortness of the book, the reader wishes that the book were a little lengthier and less compact, thus making for greater clarity.

Public Finance

When *Fiscal Policy in Underdeveloped Countries* was first published in 1960, it became an instant success. It was then considered as the first systematic attempt to discuss problems of fiscal policy from the point of view of promoting economic growth in underdeveloped countries. This revised edition, in addition to the original text, contains a fairly long postscript that critically reviews recent developments in the field of Indian public finance.

The author is of the opinion that the fiscal policy has a very important role to play in developing countries and the main objectives that should govern tax and budgetary policies in a country such as India should be : (a) increasing the rate of investment by checking actual and potential consumption, (b) encouraging the flow of investment into desirable channels, (c) regulating the flow of purchasing power in accordance with the overall pattern laid down in the plan, and (d) modifying the distribution of income and wealth in a manner and to the extent that the long-term interests of society are best served.

As regards the structure of taxation, the author has stated certain canons that would be most appropriate for India. In the first place, taxation must mobilise the economic surplus; it must mop up a great part of the surplus which at the present is not being used for productive purposes. Secondly, each person should be made to contribute to taxation in accordance with his unused capacity or ability to contribute to economic development. Thirdly, taxation must also mobilise the increases in the surplus that arise as a result of initial developmental efforts. This means taxation must be so fashioned as to prevent consumption from increasing proportionately with income in the earlier stages

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of development. And lastly, the tax-structure must satisfy the cannon of equity, which means that people in similar circumstances and behaving in the same manner (in terms of their utilisation of the surplus) must be treated equally for tax purposes.

In this part of the book, while discussing the tax-structure appropriate for India, the author has made a very powerful plea for partial exemption of savings from income taxation and has also put forward a detailed scheme for exempting approved investments from taxation of income.

Changes in Taxation

In the next part the author has examined the basic features of the Indian fiscal system. This is to be understood more as an essay in the application of 'theory' to certain selected fields of taxation than as a comprehensive study of the Indian tax system. The author has given brief analysis of different taxes and has also examined the arguments of Kaldor. The author has suggested a number of changes which he wants to be introduced gradually. He wants that the administrative possibility of granting a partial exemption to savings be examined. Similarly, capital gains should be made subject to regular income taxation and simultaneously the scheme of exemption for savings should be introduced. He suggests that expenditure tax should be abolished and the rates of income-tax in the middle and upper middle income ranges should be raised, while the 1956 rates be restored for the top ranges the income and super taxes on companies should be amalgamated into one corporation tax. Tax holidays should be abolished while development rebate should be confined to only industries of national importance. And finally the possibility of levying excise duties on an *ad valorem* basis should be examined.

In the postscript the author has examined some of the important changes that have taken place in the Indian tax system and fiscal policy since the first edition of this book was published in 1960. Author has given a proper warning that preoccupation with the raising of resources and increasing public expenditure has distracted the attention from the allocative and price effects of the tax measures on the one hand and the efficiency with which resources are being used in the government sector on the other. The policy-makers must bear in mind that "the overall objective should be to raise the rate of total saving and not merely to ensure collective savings through the government."

This book will not attract the same amount of attention which it did nearly a decade ago when the first edition was published. This is because during 1960s quite a large number of excellent books have been published by eminent scholars analysing the suitability of fiscal policy as an instrument of economic growth of developing countries and suggesting appropriate policies for different stages of their growth. Part I of the book just reproduces what was written a decade ago, which means that the book, as the author himself is aware, has failed to incorporate some of the latest theoretical developments in the field of fiscal policy and welfare economics. Thus the deficit financing to which most of the developing countries are resorting either forced by circumstances or attracted by its theoretical possibilities has been dealt with in a very casual manner. A whole book can be written on the experiences of developing countries during sixties in the field of deficit financing. The same can be said of public debt policy. Thus, while the first part is inadequate, the postscript based mostly on the figures up to the years 1966-67 only, would require another postscript to bring the matters up-to-date.

And yet the book is eminently readable and must be read by the students of public finance and of Indian economy. There may be theoretical and factual gaps, but there are also remarkable insights shown by the author in his analysis. And above all the approach which the author has brought to bear on the subject is sure to provide a critical and constructive viewpoint to the students of the subject. The book was not available in the market and we had to wait for quite some time for the second edition. It is fervently hoped that Raja J. Chelliah will not make us wait for very long before he gives us something more substantial in the field of public finance.

Agricultural Taxation

The contribution which agriculture can make and should make to economic development of backward countries has been a favourite topic with the growth economists. A large number of books have been written on this subject with special reference to India, many of which have been reviewed in these columns. A team of three scholars who were working at it for quite some time have now produced one more book on the same subject. The authors have not covered the entire gamut of land taxation (which impression the rather imposing title of this book is bound to create) but have subjected only two major land taxes—land revenue and agricultural income tax—to detailed analysis.

After giving a historical review explaining the evolution of land revenue, the authors have examined the case for enhancement of land revenue from various points of view. According to them the case for increasing land revenue is not so strong in respect of cultivators with small and uneconomic holdings, not so much on the ground that they are poor, but due to certain factors such as their inability to realise substantially the gains incidental to the rise in agricultural prices and their incapacity to derive adequate benefits out of public expenditure on agriculture. On the contrary, the richer classes among the agriculturists have greatly benefited in more than one way since the second world war, without at the same time bearing their due share in the tax burden. There is therefore a case for enhancing land revenue rates only when the present regressive structure is reorganised on progressive lines so that increased burden of land revenue is equitably distributed. But even if these measures are adopted, the land revenue system will continue to suffer from inequity, inelasticity and non-uniformity, though to a slightly less degree.

"Standard Acre" Unit

The authors therefore have spelt out in great detail their scheme of land revenue in chapter 11. The scheme is based on, to start with, reclassification of entire land holdings of different productivities in terms of one common unit which they call the 'standard acre'. This is necessarily based on an estimate of yielding capacity of land in some form, which may be either gross produce or net produce. With exemption from land revenue for those who possess land below one standard acre, it is to be subsequently progressive in the case of people holding different acres of land. The authors believe that as only the medium and large landholders will have to pay more while those having small landholdings will remain unaffected, the scheme has the singular advantage in that it should weaken the resistance to enhancement of land revenue from agricultural classes. The authors seem to belittle the influence of big landholders in this respect. Also the authors have shown limitations (on page 306) of their standard acre scheme. Though the scheme has certain merits, it would appear that the scheme is far too complex and administratively difficult to manage and would therefore prove unworkable.

Part II of the book deals with the problems of agricultural income taxation. It is now common knowledge that there is imperative need for restructuring the Indian system of agricultural income taxation. The agricultural income taxes operating in various

Indian states are at the present making a minimal contribution to revenues and are administered extremely inefficiently. Here again in spite of fiscal pressure all these years, no scheme of reform has even been thought of. The proper direction of reform, according to the authors, would be to amend the constitution so as to remove this item from the state list and include it in the union list and then to integrate agricultural income taxation with the non-agricultural income taxation under the central legislation and administration. The authors are aware that the difficulties in the way of constitutional amendment are not light. But somehow they will have to be overcome, if a rational structure of income taxation is to be evolved in India. It is indeed a pity that the fiscal potential of land revenue and agricultural income taxation has remained largely unutilised, when the revenue needs for planning and defence are tending to drive the authorities more and more towards deficit financing and foreign aid.

The book was under preparation for long and therefore all the arguments advocated by the authors in favour of revision of land revenue and reconstruction of agricultural income taxation appear stale. And yet the book will be useful to the students of economic history who would find abundan historical material provided in a felicitious manner by Dr T.M. Joshi and by research students of economics, because of the model which would be found useful for research purposes.

Books Received

A Survey of Worl! Civilization: Edward d'Cruz S.J.; Lalvani Publishing House, 210 Dr Dadabhoy Naoroji Road, Bombay—1; Pp 406; Price Rs 22.50

New Concepts in Management: Ishwar Dayal: Lalvani Publishing House; Pp 276; Price Rs 28.50

Handbook of Statistics on Cotton Textile Industry: Published by the Indian Cotton Mills' Federation, 10 Veer Nariman Road, Fort, Bombay—1; Pp 52.

Jawaharlal Nehru: A Man of Letters: V.N. Chhibber; Vikas Publications; Pp 210; Price Rs 22.50

Institutional Financing of Economic Development in India: T.V. Sethuraman; Vikas Publications; Pp 166; Price Rs 20.

Soviet Economics: Michael Kaser; Weidenfeld and Nicolson, 5 Winsley Street, Oxford Circus, London W1; Pp 256; Price £ 1.75 net (in U.K. only)

Shipping: M.S. Ram; Asia Publishing House; Pp 303; Price Rs 35.

Management Development and Management by Objectives for the Line Manager: Andrew M. Brown; Somaiya Publications Pvt Ltd., Pp 118; Price Rs 24.

Manpower Research 1968: Published by the Institute of Applied Manpower Research, Indraprastha Estate, Ring Road, New Delhi—1; Pp 220; Price Rs 12.

Britain 1970: *An official Handbook*: Prepared by the Reference Division of the Central Office of Information; Published by Her Majesty's Stationery Office, London SE 1; Pp 522.

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4. **Indian Export Service Bulletin**: A weekly containing global tender notices, overseas enquiries for Indian products, market opportunities in foreign countries, trade control and tariff regulations abroad, world economic trends and other useful information for exporters. Annual subscription: Rs. 25/- Single copy: 50 paise.

5. **India Exports**: (Open for advertisements only). An attractive quarterly journal printed on Art Paper. It aims at Brand Publicity of Indian goods/manufactured in overseas markets and offers excellent medium of publicity for Indian exporters abroad.

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RECORDS AND STATISTICS

Foreign Collaborations

During the quarter April to June 1970, the Government of India approved 51 Collaborations between Indian and foreign companies. The largest number of collaborations were in the case of US companies at 15, followed by 12 for the UK, eight for West Germany, five for Japan, three for Switzerland, two each for Italy and France and one each for Australia, Czechoslovakia, Holland and Sweden.

No.	Name of the Indian Co.	Name of the foreign collaboration	Item of manufacture
		INDIA—AUSTRALIA	
1.	United Engineering Services P.O. Box No. 69, Jamshedpur-1	Vulcan Australia Ltd., Victoria, 3125, Australia.	Side-winder flexible insulated ducting.
		INDIA — CZECHOSLOVAKIA	
2.	K.C.P. Ltd, Ramakrishna Buildings, 38, Mount Road, Madras-6.	C.K.D. Praha, Czechoslovakia.	Dry process cement machinery.
		INDIA — FRANCE	
3.	B.G. Shirke & Co Ltd, 1205, R.B. Apte Road, Poona-4. (F)	Prive SA, 61-67 rue Victor Hugo, 94-Maisons-Alifort (Val-de-Marne) Paris, France.	Nestbins (Silos).
4.	Neddle Roller Bearing Co Ltd, B-16, Road No. 2 Industrial Area (Waglewadi), Thana, Maharashtra.	Nedella SA, 133-137, Boulevard National, 92, Rueil Malmaison, France.	Needle roller assemblies and needle roller bearing.
		INDIA — HOLLAND	
5.	Electric Control Gear Pvt. Ltd, Behind Arbuda Mills Ltd, Rakhail Road, Ahmedabad-21.	N.V. Hazemeyer, Holland.	LT air circuit breakers.
		INDIA — ITALY	
6.	Hindustan Machine Tools Ltd, Bangalore.	Societa Nebiolo, 47, Bologna Street, 10152—Turin, Italy.	Printing machines.
7.	Hyderabad Asbestos Cement Products Ltd, Sanatnagar, Hyderabad-18.	Revisione Construzion Machine, Torino, Italy.	Pneumatic corrugating and stacking machine for asbestos cement corrugated sheets.
		INDIA — JAPAN	
8.	B.C. Modi & Co, General Assurance Bldg.232, D.N. Road, P.B. No. 10118, Bombay-1.(F)	Osaka Godo Co Ltd, Osaka Godo Tokyo Bldg. 6, 2-Chome Nihonbashi-Honcho, Chuo-Ku Tokyo, Japan.	Coconut shell charcoal.
9.	Daver N.G.M. Ltd, 70, Lakshmi Insurance Bldg., Sir P.M. Road, Fort, Bombay-1.	Nihon Spinlde Mfg. Co Ltd, Mengyo Kaikan, Bingomachi, Higashiku Osaka, Japan.	Vari pitch sheave spindle speed regulalators for ring spinning frames.
10.	Mischmetal & Flints Pvt Ltd, Mani Mahal, 3rd floor 353, Kalbadevi Road, Bombay-2.	Wako Busen Ltd, Room No. 622, Nippon Building., No. 8, 2-Chome Ohtemachi, Chiyode-Ku. Tokyo, Japan.	Flints.
11.	Mukand Iron & Steel Works Ltd, Lalbahadur Shastri Marg, Kurla, Bombay-70 (AS).	Fuji Group of Japan (Daido Steel Co Ltd, Sanyo Special Steel Co Ltd, & Fuji Iron & Steel Co Ltd.)	For improving product and reducing production cost in manufacture of steel and wire rods.
12.	Textile Machinery Corpn Ltd, UCO Bank Building, Parliament Street, New Delhi-1.	Howa Machinery Ltd., Nagoya, Japan.	High Speed carding engines, high speed draw frames and high speed frames.

(F) Indicates cases involving financial collaboration.

No,	Name of the Indian co,	Name of the foreign collabotation	Item of manufacture
		INDIA — SWEDEN	
13.	Bladen Cole & Co Pvt Ltd, Rangudyan, Sitaldevi Temple Road, Mahi, Bombay-16.	Sten Soderstrom of Ulvsatersvagen, 9, Sollentuna, Sweden.	Finnded tube heat exchangers.
		INDIA—SWITZERLAND	
14.	Hindustan Brown Boveri Ltd, Brown Boveri House, 264/265 Dr Annie Besant Rd, Bombay-25.	Brown Boveri & Co, Switzerland	High rupturing capacity air blast indoor type circuit breakers.
15.	Rajpur Mfg. Co Ltd, Outside Saraspur Gate, P.B. No. 54, Ahmedabad-21.	Porzellanfabrik Langenthal AG, Langenthal, BE Switzerland.	Plain and decorative procelain tablewares.
16.	Scindia Workshop Ltd, Scindia House, Ballard Estate, Bombay-10.	MacGregor AG, Mazgasse 930, Basel Mazgasse 2, Switzerland.	Electrical drive and automatic lift and
		INDIA—UK	
17.	Consolidated Pneumatic Tool (India) Ltd, 301/302, Agra Road, Bombay-80.	Jacobs Manufacturing Co Ltd, UK.	Jacob drill chucks, tap chucks and collect chucks.
18.	Eastern Tobacco Machniery Pvt Ltd, 220, Masjid Bunder Road, Bombay-3.	National Machinery Co. Ltd, E.D. Sasoon Building, Nassau, Bahama Islands, UK.	Tobacco Processing machinery.
19.	Globe Industries Pvt Ltd, Agra Road, Mulund, Bombay-80.	Adwest Engineering Ltd, Reading Berkshire, UK.	Steering gears.
20.	Heavy Electricals (India) Ltd, Bhopal.	English Electric-Associated Electrical Industries Ltd, UK.	235 MW Nuclear turbine for Madras Atomic Power Project, and 30/120 MW turbine generators.
21.	Indian Petro-chemicals Corpn Ltd, PO Jawaharnagar, Baroda, (Gujarat).	Lummus Co Ltd, UK.	Design Engg. and technical know-how for and in connection with the Gujarat Naptha Cracker plant to be erected near Baroda.
22.	Indo-Asian Traders Pvt Ltd, Nakodar Road, Jullundur-3.	Fluvent Electric Manufacturing Co, UK.	HRC cartridge fuses links.
23.	Inspi Auto Industries Pvt Ltd, 2A-3, Asaf Ali Road, New Delhi-1.	Amal Ltd., Holdford Rd, Witton Birmingham, UK.	Automobile ancillaries-carburettors.
24.	Mukand Iron & Steel Worked Ltd, Kurla, Bombay-70.	English Steel Castings Corporation Ltd, Sheffield, UK.	Brake beams.
25.	Senapathy-Symons Insulation, 14, Netaji Road, Bangalore-25.(F)	H.D. Symons & Co, UK.	Class 'E' insulation.
26.	Southern Electricals (P) Ltd, 25, Ambattur Industrial Estate, Madras-58.	Power Centre Co, Ltd, UK.	Aluminium bushbar trunkings etc.
27.	Southern Industrial Corpn Ltd, Post Box No 113, 99-Armenian Street, Madras-1.	Land-master Ltd, Hucknall, UK.	Land-master power tillers (L-150).
28.	Usha Telehoist Ltd, 14, Princep Street, Post Bag No. 8853, Calcutta-13.	Telehoist Limited, Manor Road, Cheltenham, Gloucester, UK.	Truck mounted load luggers and truck mounted hydraulic hoists.
		INDIA—USA	
29.	Bright Brothers Pvt Ltd, 156-A, Tardeo Road, Bombay-34.	Thomas International Company, USA.	For obtaining consultancy services for manufacture of plastic moulded goods.
30.	Engineers India Ltd, 17, Parliament Street, New Delhi.	Lummus Co, USA.	Designs for heat exchange equipment.

(F) Indicates cases involving fiancial collaboration.

No.	Name of the Indian Co.	Name of the foreign collaboration	Item of manufacture
31.	Frick India Ltd, Jeevan Vihar, 3-Parliament Street, New Delhi.	Climatrol Industries Inc., 633 West Wisconsin Avenue, Milwaukee, Wisconsin, USA.	Centrifugal chillers.
32.	Heavy Engineering Corpn Ltd, Ranchi.	National Forge Co Irvine, Warren County Pennsylvania, 16329, USA. and Compagnie des Ateliers et Forges de la Loire, 12rue de la Rochefoucaluld, Paris, France.	Crankshafts for the diesel locomotives.
33.	India Carbon Ltd, 6, Old Post Office street, Calcutta-1.	Great Lakes Carbon Corporation, USA.	To check and review the designs prepared in connection with the manufacture of calcined anthracite coal at Haldia (West Bengal).
34.	J-Stone & Co (I) Pvt Ltd, 16 Taratalla Road, Calcutta-53.	Westinghouse Air Brake Company, Wilmerding, Penne, USA.	Air brake equipment for freight locomotive and passenger stock.
35.	Kril Standard Products (P), Ltd, Sir Vithaldas Chambers, 6, Apollo Street, Bombay-1.	1. USM Corpn, USA. 2. Standard Tool Co, USA.	Injection moulding machines.
36.	National Standard Duncan Ltd, 31, Netaji Subhas Road, Calcutta-1.	National Standard Co, USA	Metal moulds for tyres.
37	Poysha Industrial Co Ltd, Nehru House, 4, Bahadurshah Zafar Marg, New Delhi-3.	American Can Co, 100 Park Avenue, New York , USA.	Tin containers inculding OTS cans.
38.	Ravik Industrial Corpn, D-187 Defence Colony, New Delhi-3.	Jay International Corpn Ohio, USA.	Tyre air pressure gauges and sparks plug gap gauges.
39.	(Proposed)	Sears Roebuck Overseas Inc, 925, S. Homan Avenue, Chicago, Illinois, USA.	To open a branch in India for buying goods for their principals.
40.	Swatik Rubber Products Ltd, Swastik House, Behind Kirkee Rly Station, Poona-3.	Firestone Tyre and Rubber Company, Akron Ohio-448, USA.	Rubber goods (tank tracks, vibration T isolators, draft gear pads etc.).
41.	Veljan-Hydrai Pvt Ltd, Balanagar, Hyderabad-37.	Flick-Reddy Corpn, Illinois, USA.	Modular and logic valves.
42.	Vijay Industries, Haji Adam Mansion, Homji Street, Bombay-1.	Graver Tank & Manufacturing Co, Chicago, USA.	Floating roof tanks.
43.	Dr Virendra Patel, 770, Gotri Road, Baroda-7. (F)	Miles Laboratories Inc., USA.	Chemical and Immuno chemical test systems etc.
		INDIA—WEST GERMANY	
44.	Agra Chain Mfg. Co, 4341, Vijay Nagar Colony, Agra-4.	Paul Viktori Schneider, Idari Das Overstein, West Germany.	Diamond-cut-immitation jewellery.
45.	Drossbach Maneklal Pvt Ltd, Vaswani Mansions, Dinshaw Vachha Road, Bombay-20. BR.(F)	Rainer Isolierrohrfabrick, Brossbach, West Germany.	Corrugated tubes.
46.	Madhya Pradesh Industries Ltd, 7, Council House Street, Calcutta-1.	Varta AG, West Germany.	Dry battery cells.
47.	Modi Industries Ltd, PO Modinagar, Distt. Meerut (UP).	Continental Gummiwerke, AG, Hanover, West Germany.	Automobile tyres and tubes.
48.	SLM Maneklal Industries Ltd, Vatva Taluka Descroi, Ahmedabad.	Kautex-Werke Reinald Hagen, Hamgelar/Siegburg, West Germany.	Blow moulding machines, silk screen printing machines, flame treating machines, and granulators etc.
49.	Swadeshi Polytex Ltd, Swadeshi House, Kanpur.	Vicker-Zimmer, Frankfurt (Main), West Germany.	Polyester staple fibre.
50.	Sh. T. Maneklal, Co, T. Maneklal Mfg Co Ltd, Vatva, Taluka Dascroi, Ahmedabad.(F)	Artos Maschinebau Dr Ing. Meier-Windhorst KG, Heidenkampsweg 66,2000, Hamburg I, West Germany.	Textile processing machinery.
51.	Utkal Machinery Ltd, PO Kansbahal (near Rourkela), Distt. Sundargarh, Orissa.	O. Dorries GmbH, 516, Durexen, Veldenerstrasse West Germany.	Wide angle refingers for machinery and equipment for the producing of pulp, paper and card board.

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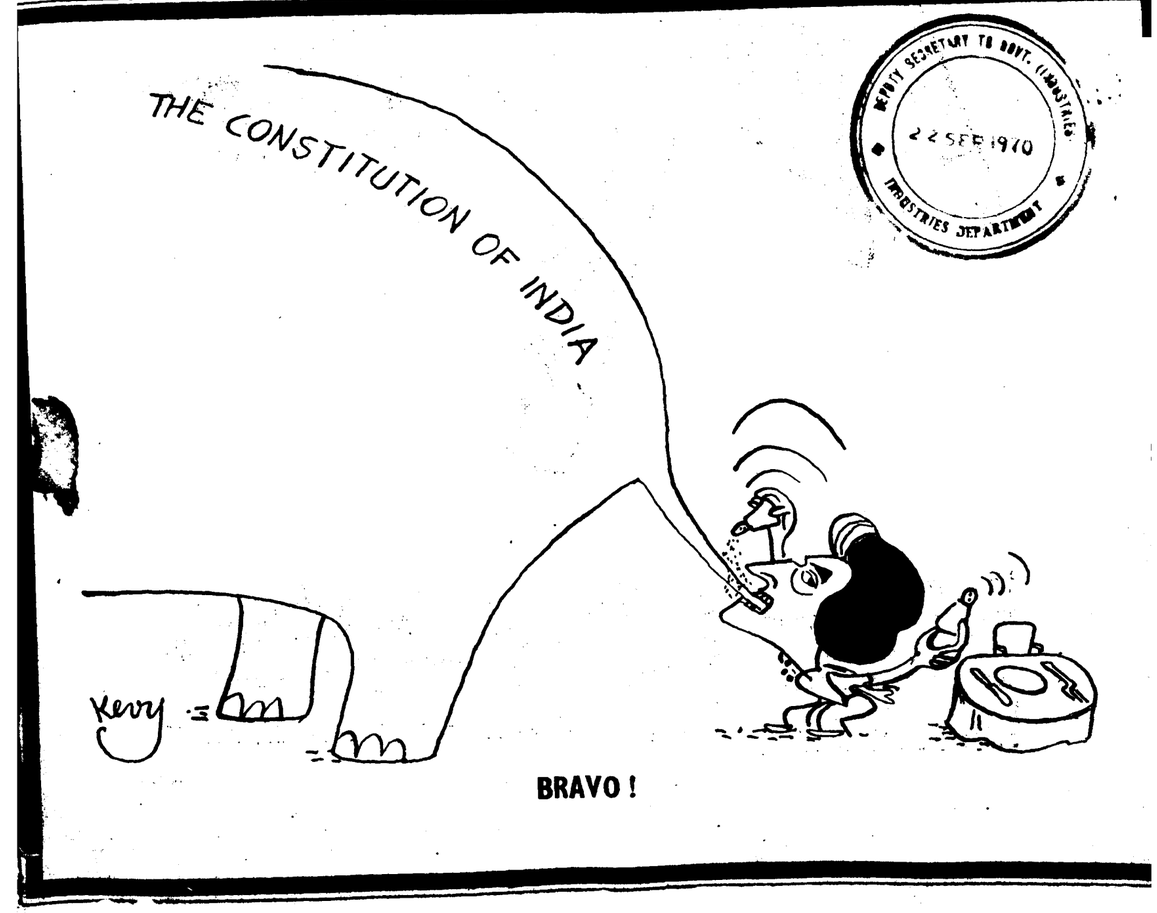

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FULFILMENT OF A PLEDGE

TWO YEARS ago Mr Robert McNamara, President of the World Bank, had told the Board of Governors that in the five-year period 1969-73, the Bank should lend to the developing countries twice as much as it had in the preceding five years. He was also of the view that assistance by the Bank should be directed towards those poor nations which needed it most. The report of the Bank and it affiliates for the year ended June 30, 1970, shows that the goal set by Mr McNamara is likely to be achieved as sharp increases have taken place in both the volume and the range of its operations during the past two years.

The financial commitments made by the World Bank group attained an all-time peak at $2,297.8 million in the year under review which recorded a rise of 22 per cent over the preceding year and an increase of nearly 100 per cent over the annual average for the period 1964-68. The highest allocation at $660.75 million was made for transportation, followed by electric power ($537.25 million) and agriculture ($412.88 million). Agriculture is now receiving greater attention as its development is considered pivotal for the growth of the economies of the poor countries. Education ($ 79.90 million) also is being accorded a higher priority in order to wage a relentless war against ignorance and to hasten the process of technological development in these countries.

The developing countries have been increasingly asking for credits from the International Development Association (IDA) which has been providing concessionary development finance but whose funds have usually been inadequate in relation to the requirements of the applicants. The second general replenishment of IDA's resources at $1,201.4 million last year made it possible for this organisation to expand its activities further. During the fiscal year 1970, IDA signed new credits equivalent to $606 million which brought the total credits by this agency to $2,822 million (gross).

Assistance to our country from IDA has been on the increase. In the fiscal year 1970, we received from this agency credits worth $227.5 million which constituted 37 per cent of the its total commitment of $606.5 million. Again, the total commitments by IDA to our country at $1,264.9 million were higher than the cumulative loans amounting to $1,087.6 million received by us from the World Bank. Mr McNamara's strategy to assist the developing countries through IDA's soft loans is now gaining wide acceptance and we are also likely to profit by it. The burden of servicing the debts incurred in the past is however increasing year after year, and it is here that we need urgent relief.

During the year under review, the interest rate on loans by the Bank rose from 6¼ to 7 per cent which is bound to increase the debt servicing burden of the borrowing countries. The corner-stone of the philosophy of the Bank being faster economic development of poor countries, the rising cost of capital is likely to defeat the very objective it has in view. While Mr McNamara needs to be congratulated for his efforts in mobilising funds for development, he ought to devote more attention to relieving the increasing burden of repayment obligation of the developing countries. The oppressive character of service charges and repayments is illustrated in a telling manner in the case of our country. The Planning Commission has estimated that our country would need no less than Rs 4,130 crores (gross) of foreign aid (including credits from the World Bank group) for the plan period out of which as much as Rs 2,280 crores would be utilised in debt service payments including both amortisation and interest. In other words, more than half of the expected aid would be used in debt service payments. It is precisely for this reason that this country is increasingly opting for IDA credits and to a lesser extent for World Bank loans whose cost we find extremely harsh.

Miles to Go

THE EXPORT Credit and Guarantee Corporation Ltd (ECGC) — a Government of India concern — has not made much progress in its 12 years of working. According to the latest report of the corporation for the year ended December 31, 1969, the value of export business covered by its policies and guarantees at Rs 100.78 crores corresponded to about 7.3 per cent of the total exports at Rs 1380 crores. This is hardly a record about which the ECGC can feel proud.

Conceding the point that the value of shipments covered by the policies of the ECGC as a percentage of total export trade of the country was small, the annual report of the corporation hastens to explain that a substantial part of this country's exports is in traditional items in respect of which exporters have old and well-established contacts abroad and hence they do not feel the need for risk insurance at all. Even after taking into account this factor the performance of the ECGC does not present an encouraging picture. According to the estimates presented in the latest annual report of the ECGC, the corporation covered last year about 20 per cent of the country's exports after making allowance for exports against letters of credit house-to-house business and the large volume of traditional item that are exported to well known and well established customers. On present reckoning, the ECGC seems to have set the target of covering risks up to Rs 500 crores worth of this countrys' exports out of which its achievement so far has not been more than 20 per cent. What needs to be underlined is that the ECGC has taken 12 years to cover only one-fifth of the exports which in its view should be covered by services offered by it.

The rate of progress of the activities of the ECGC such as the number of new policies and guarantees issued as well as the maximum liabilities undertaken, continues to rise year after year (See Table I), though 1969 witnessed a slight setback. Among the various types of services provided by the ECGC the most popular has been the straight insurance cover for goods exported followed by "packing credit guarantees". The number of cases of "post-shipment guarantees", "export finance guarantees", "export production finance guarantees" and "export performance guarantees" has been relatively small.

If exporters in our country have not made as big a use of the insurance facilities provided by the ECGC as they should it is because this pubic sector company has not adopted a very helpful posture in many respects. For example, the exporters find that the premium rates charges by the ECGC are on the higher side. The corporation has conceded the point that it has been charging high premium rates. In 1968, for instance, the increase in the premium income of the ECGC was 87.3 per cent as against a rise of 50.3 per cent in the risk value of the policies issued by it. In 1969, the ECGC reduced its premium rates by 12½ per cent for medium and long-term business with the result that the premium income last year rose by 49.3 per cent for almost a similar rate of increase in the risk value of the policies issued by it. There is no doubt that there is room for further reducton in premium rates. In this connection, it is pertinent to record here the suggestion of Mr Yoshiaki Toda of the Bank of Japan who in his report on "The export credit system of India" to the Reserve Bank of India in November 1968 had stated that "in order to induce increase recourse to insurance cover, a reduction in the premium rates seems necessary. In this context, the introduction of the group insurance (or bulk insurance) which is widely prevalent in Japan may be considered. If the exporters of certain goods could establish an exporters' association, and the members of which agree to apply for export insurance policies for every export, the premium rates to be applied could be reduced substantially. According to Japanese experience, the rate applied to the group insurance policies is only 1/5—1/10 of that applicable to normal insurance policies". There is great merit in this suggestion; the cost of group insurance for each one of the new products which are being exported would be ridiculously low. It is not clear why this suggestion of Mr Toda has not been put into practice so far by the corporation.

Also, many exporters have shown reluctance to buy insurance cover

TABLE I

WORKING OF ECGC : 1967-69

	1969	1968	1967	Percentage increase In 1969 over 1968	Percentage increase In 1968 over 1967
(*a*) No. of policies and guarantees issued during the year					
(*i*) Policies	1,536	1,353	1,160		
(*ii*) Packing credit guarantees	1,215	764	457		
(*iii*) Post-shipment guarantees	65	33	18		
(*iv*) Export finance guarantees	24	13	5		
(*v*) Export production finance guarantees	64	34	3		
(*vi*) Export performance guarantees	71	37	1		
Total	2,976	2,234	1,644	33.2	35.9
(*b*) Maximum liability under (*a*) above (Rupees in lakhs)					
(*i*) Policies	6,401	3,827	2,840		
(*ii*) Packing credit guarantees	4,699	3,191	1,826		
(*iii*) Post-shipment guarantees	413	497	60		
(*iv*) Export finance guarantees	109	39	24		
(*v*) Export production finance guarantees	1,218	428	59		
(*vi*) Export performance guarantees	475	276	35		
Total	13,315	8,258	4,844	61.2	70.5

for exports through the ECGC as the percentage of loss payable to exporters under the policies issued by the corporation was, till 1968, 80 per cent for commercial risks and 85 per cent for political risks. Last year, the percentage of loss payable to exporters was raised to 90 per cent for both types of risks. Also, a higher cover of 95 per cent is available for political risks in respect of large export orders covered under specific policies. This is no doubt a correct decision but the sooner the ECGC raises the percentage of risk covered by it to 100 for both commercial and political policies, the better it would be for the ECGC as it would help the corporation in winning the confidence of a large number of exporters.

Another factor which has a sizable effect on the volume of the business underwritten by the ECGC is the speed with which the claims are settled. In regard to risks arising from buyers not accepting goods or paying for goods because of differences over the fulfilment of the terms of a contract, the ECGC does not have a good record. The corporation settles the claim only after the dispute between the parties is settled and the amount payable to the exporters is decided. As this procedure takes a lot of time, the buyers of insurance cover from the ECGC feel that they do not receive from it the support to which they are entitled. It would, therefore, be necessary for the ECGC to make arrangements for payment of a claim against a guarantee from the exporters' bank to the effect that when final settlement is made, any amount recovered from the foreign buyers would be refunded to the ECGC. Unless an assurance on this score is given to the buyers of policies issued by the ECGC, it will not be possible to win over a large number of exporters who have so far shied away from it.

The decision taken by the corporation last year to do away with the system of classifying commodities is no doubt praiseworthy. Until 1966, all commodities insured with the ECGC were divided into three classes and different rates of premium were charged but now a single rate of premium applies to all commodities whether they are jewellery and gems or household utensils and woollen manufactures. This simplification has also reduced the premium rates for a wide range of items by as much as 16⅔ per cent, according to the annual report of the corporation.

The guarantee schemes of the ECGC are likely to attract a large number of exporters provided its terms and conditions are liberalised. As stated earlier, among the guarantees issued by the ECGC, the most popular is the "packing credit guarantee" under which the insured percentage has been raised from 66⅔ per cent to 75 "in respect of banks which agree to get all their pre-shipment accounts covered under a whole-turnover guarantee." Because the ECGC does not cover 100 per cent of the risk under the guarantee scheme, the banks feel reluctant to extend export finance to exporters. The ECGC has no doubt realised the force of this plea as is evident from its willingness to raise the insured percentage from 66⅔ per cent to 75 per cent. It must act boldly and extend this percentage to 100 if it wishes to play its rightful role.

Oil India : Satisfying Financial Record

OIL INDIA a 50: 50 partnership between the Government of India and the Burmah Oil Company, has completed yet another year of successful operations. Its Chairman Mr Dev Kanta Barooah, in a statement to shareholders revealed a few days ago that during 1969, the sales of crude oil at 2.96 million tonnes were 7.25 per cent more than the sales in the previous year and only marginally lower than the optimum level of three million tonnes per annum envisaged in the charter of the company. The sales of natural gas showed an improvement of as much as 23.5 per cent — from 0.51 million cubic metres per day to 0.63 million cubic metres per day. These however were much below expectations as the offtake by the consuming parties was less than what had been anticipated. Besides the company helped in transporting through its trunk pipeline — Nahorkatiya-Moran-Noonmati-Barauni — the crude oil of the wholly public sector concern, the Oil and Natural Gas Commission, to the extent of 1,41,500 tonnes, as against a bare 17,500 tonnes in the previous year. The improved results shown by the company speak volumes of the cordial relations between the management and the staff. It may be recalled that the year 1969 was a year of many a turmoil in Assam including the agitation for the demand of a second refinery in the state which ultimately brought forth a promise from the Government of India for the use of an additional one million tonnes of crude within the state itself.

The improved sales enabled the company to reduce its effective price of crude oil for the year to Rs 91.55 per tonne from Rs 95 per tonne in 1968. This effective price was well below the import parity cost of any equivalent crude at the nearest port i.e. Calcutta. In terms of the second Supplemental Agreement which was signed by the company with the Government of India in 1961, the dividend for the year has been declared at the ceiling of 13 per cent net of all taxes. The excess profit reimbursed to the two buyers of crude oil — the Government of India and the Assam Oil Company — according to the provisions of the above agreement came to Rs 6.3 crores. The government received a reimbursement of Rs 5.6 crores and the Assam Oil Company a reimbursement of Rs 73.2 lakhs (the reduction in the effective sales prices is due to this factor). Since 1967 when the buyers of the company's crude oil became entitled to this reimbursement as a result of the provisional crude oil price yielding much more than what was required for the declaration of the maximum 13 per cent dividend the total reimbursements made to them have aggregated to Rs 17.5 crores— Rs 15.44 crores to Government of India. and Rs 2.12 crores to the Assam Oil Company. These reimbursements have more than compensated the two buyers for the so-called subsidies they were required to pay to Oil India in the early years of its operation in the form of retrospective upward price adjustments in the provisional price of crude oil to enable the declaration of the minimum dividend of nine per cent (net of all taxes) as guaranteed in the Supplemental Agreement. The total amount made available by the two buyers through retrospective upward adjustments of crude prices had amounted to nearly Rs 15.47 crores.

It is indeed gratifying to note that the company has been making concerted efforts at further exploration so that the optimum crude oil recovery rate of three million tonnes per annum is maintained as long as possible. This is evident from the fact that even though during the 11 years of its operations up to the end of December, 1969, the cumulative recovery of oil had been to the order of nearly 16.5 million tonnes, the proved and indicated future recoverable reserves as on January 1, 1970 amounted to as such as 40.5 million tonnes. When the commercial exploitation of the company's concessions in Nahorkatiya and Moran started towards the turn of sixties, the proved and indicated reserves were estimated at not more than 45 million tonnes. During 1969 Oil India was able to increase the estimated quantity of the ultimately recoverable proved and indicated reserves by 0.75 million tonnes. The company's exploration efforts in the Dum Duma concession where exploratory drilling was taken up a couple of years ago has yielded encouraging results in as much as two of the three exploratory wells

drilled here have shown the presence of hydrocarbons. At least another six exploratory wells are proposed to be drilled in this concession by the end of the current five-year Plan. In the Ningru (NEFA) area also the exploration work is understood to be progressing well. The first two exploratory wells drilled here have shown very high gas pressure. Despite immense hazards exploration is proposed to be started in none-too-distant a future in the Manaboom area of NEFA. Extension drilling in the Nahorkatiya and Moran concessions is proposed to be carried on as long as any indication of oil structures is there in this area. Along with this extension driling secondary measures are being adopted to recover as much oil as possible from the presently oil-yielding wells.

The Bill Market Scheme

AT LONG last, the Reserve Bank of India has decided to introduce a Bill Market Scheme from the beginning of the next busy season on the basis of the recommendations of a study group which was appointed by it to examine this question. The study group consisted of eight members drawn from the Reserve Bank of India, the State Bank of India and other commercial banks and submitted its report in June this year. It is obviously expected by the monetary authorities that there can be a streamlining of the methods of lending by the adoption of a system of usance bills in respect of sales and purchases of commodities and that, with a definiteness about the repayment of advances against bills, the system of cash credit and limits against book debts can be discouraged. The study group seems to feel that the present system of lending and use of resources of the scheduled commercial banks does not make for even liquidity within the banking system and the refinance facilities provided by the lender of the last resort are utilised mainly by a few major banks.

The recommendations made by practical bankers deserve to be given a fair trial though the critic may be quick to point out that the government has taken care that the banks do not suffer from excessive or even uneven liquidity and the problem at the present moment is essentially one of finding adequate resources for meeting the need of all classes of borrowers. Thanks to the vigorous expansion of credit for financing procurement operations, the increase in the liquidity ratio by three per cent during the course of this year — on three occasions by one per cent — and the liberal policy of lending to small borrowers in the priority sectors, the credit-deposit ratio at some stages was even above 80 per cent. Also, in spite of the fact that the slack season has run through half of its course there has not been any significant improvement in the liquidity of the banking system as borrowings of the scheduled commercial banks from the Reserve Bank during the week ended August 14 amounted to as much as Rs 224.35 crores while these were only Rs 81.60 crores in the corresponding week in 1969.

It must be pointed out, however, that heavy borrowing would not have been necessary but for the sizable procurement operations in May and June and the financing of these operations mainly by the State Bank of India up to now. This form of assistance has obviously been responsible for the over extended position of the State Bank of India which during the week ended August 7, had borrowed as much as Rs 187.58 crores against the total liability of Rs 232.35 crores of all scheduled commercial banks in the same week. This would clearly suggest that other banks had borrowed only Rs 44.77 crores. Even here, some banks might have borrowed more than others and some institutions may not have borrowed at all but it is necessary to bear in mind that in former years banks were usually having huge surplus resources about this time of the season and with the exhortations of the Reserve Bank there were sizable investments in treasury bills or government securities with net sales being effected by the Reserve Band out of it holdings. The developments in the last and current slack seasons however, indicate that there may not be a reversion to the earlier pattern of the busy and slack seasons and that it will be difficult to avoid net lending by the Reserve Bank even with an evening out of liquidity within the banking system. The position may get corrected only when there is increasing monetisation of the economy and the steps that are now being taken to mobilise additional resources prove fruitful.

There is all the same need for proper management of available resources and the Bill Market Scheme would have served a useful purpose if, as a result of the higher liquidity gained by the issue of usance bills, there could be a reduction in the cash ratio and an increase in investments of government and approved securities. In that event, apart from a fairly high level of advances, there could be larger investments in government securities even with the same liquidity ratio. But the question is whether banks can theortically peg advances at 72 per cent of available deposits or at a slightly higher level including paid-up capital and reserves and avoid altogether borrowing from the Reserve Bank under the Bill Market Scheme. It can be straightway stated that the scheduled commercial banks will find it difficult to avoid borrowing heavily from the banking system during the busy season and even eliminate it completely in the slack season in spite of stricter discipline with the introduction of the Bill Market Scheme. The attempt to bring about a better use of resources will certainly be worthwhile if in the process there was greater velocity of the funds at the disposal of lending institutions. It is expected that in the 1970-71 busy season there will be an unprecedented squeeze in the money market and with the sugar industry likely to accumulate further stocks and the need to handle larger cash crops, borrowings may exceed even Rs 450 crores at the peak of the season; unless there was an attempt in the meantime by the government to relieve the banking system of its responsibility to finance procured food stocks to a certain extent. Even then with the known anxiety of the government to reduce its overall deficit, there may not be a net reduction in advances to the Food Corporation of India by more than Rs 50 crores.

There will, therefore, have to be fresh borrowing of the order of Rs 400 crores and if it is borne in mind that at the beginning of the last busy season banks were in a fairly comfortable position (which is not so now) aggregate borrowing may be nearly Rs 500 crores, working out to about eight per cent of net deposits of member banks.

The question is to what extent there can be a reduction in these borrowings in an active bill market and whether there can be an augmentation of the pool of resources thereby. The answer will be readily in the negative as the Life Insurance Corporation, the Unit Trust of India and others are already keeping with the banks their surplus resources in the form of short-term deposits or money at call. The statutory financial corporations may have surplus resources because of the absence of a large number of applications for financial assistance. These resources have already been invested in government securities or kept with banks. All investible funds are therefore coming into the money market in some form or other. There can thus be an increase in the net amount available for lending only with a lower cash ratio and a quicker use of existing funds. The usance bills will cover, as stated earlier, transactions in respect of purchases and sale of goods and the Reserve Bank has reserved the right to itself to exclude some commodities, which may be notified from time to time, from the scope of the scheme. These commodities will be excluded if it was found that, on account of shortages, it was necessary to restrict bank credit against them. The currency of the bills normally be 90 days when they are discounted and in exceptional cases 120 days.

The objective of the Reserve Bank is probably to ensure ultimately uniformity of trade practices and avoid unnecessary building up of inventories. For sometime past, an attempt has been made to regulate cash credit limits by keeping a check on inventories and finding out whether stocks of stores and spare parts were not unnecessarily large. Borrowers have also been told that cash credit may not be available against inventories which are considered as forming part of fixed assets and that the industrial units concerned should raise their own resources for holding these special inventories through a ploughing back of profits on a larger scale or the raising of capital in the form of debentures wherever possible.

It is needless to say that the efforts to reduce inventories will succeed only if there was readier availability of raw materials and components from indigenous sources and the import licensing policy also encourages a feeling that there may not be difficulty in getting imports of critical raw materials and components. If the licences could be issued liberally and cashed conveniently and there was also no need to accumulate large stocks of items available from indigenous resources, there can certainly be a reduction of pressure on the banking system and available resources can be made to go a much longer way. However, with the bottlenecks in the way of stepping up production, fitful import licensing and a growing demand for consumer and durable goods, the efforts to reduce inventories may not yield the desired results unless there was a distinct improvement in the internal economic situation.

Thus, immediately the new scheme can result only in a streamlining of trade practices and induce a greater sense of discipline. But it is difficult to see how there can be a net increase in lendable resources by more than Rs 40 crores roughly, 10 per cent of total advances. This may, nevertheless, be considered a distinct gain and it may also be argued that there will be an opportunity for reducing the burden on the banking system by the discounting of bills with new lenders such as the Life Insurance Corporation, statutory financial corporations and others, though the resources of these institutions had been made available in some form or other to the primary lenders. In the absence of new institutions which will be prepared to engage themselves in the discounting of bills with their own resources, there may not be any net advantage accruing to the money market. If as a result of the liquification of cash credit and book debts through the issue of usance bills new discount houses and acceptance houses can be promoted a big step would certainly have been taken to broaden the base of the money market. Some of the institutions whose banking businesses have been taken over by the government and who are thinking of utilising in some manner the compensation paid to them, may turn themselves into discount houses or other agencies. In that event, additionally about Rs 30 to 40 crores will be available which with the saving that can be secured through a better management of existing funds, can be helpful in reducing the load on the Reserve Bank by about Rs 100 crores at the outside limit. The introduction of the new scheme in the next busy season may therefore, have far-reaching consequences over a period and, if it succeeds in bringing about a new outlook, the efforts of the monetary authorities would have been worthwhile. It will be incorrect, however, to entertain exaggerated expectations as the best results can flow only if there was a highly integrated credit structure and the industrial sector also can function more efficiently and account for a much larger output of goods of different types than it is capable of now.

Eastern Economist 25 Years Ago

SEPTEMBER 21, 1945

The position in regard to prices and deliveries, as revealed in the report, is disquieting. There appears to be no chance of getting textile machinery which is most urgent for us from either Britain or U.S.A. under two years. In this connection, it is worth recalling Mr Sarker's advice. He is reported to have observed: "In the matter of obtaining machinery from abroad the Government of India have an important part to play. In view of the heavy demand from various countries for capital goods and the continuance of controls particularly in U.K., the quicker availability of certain types of machinery wil depend upon the influence which the Government of India will be able to bring upon the Governments of U.K. and U.S.A." We fully endorse the view; indeed the Indian textile industry was overworked terribly as part of the general Allied war effort. Britain and America owe a responsibility to rehabilitate it immediately. But unless this Government is replaced by a more competent and representative Government, it is useless to pin much hope on their action. Indian industrialization is likely to be delayed unless conditions alter rapidly in the external world.

RECORDS AND STATISTICS

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Sad Story of Indian Steel

K. S. KRISHNA MURTHY

ACCORDING TO a recent research study, the total installed capacity of the main steel producers in India is about 10 million tonnes of ingots or about seven million tonnes of finished steel. Expected steel production in the current year is of the order of five million tonnes of finished steel or about 71 per cent of the installed capacity. This means that nearly one-third of the installed capacity remains unutilised.

With a backlog of 1.4 million tonnes of unexecuted orders last year, the actual demand for finished steel for the current year is placed around seven million tonnes. After allowing for exports of 240,000 tonnes and imports of 500,000 tonnes, the gap between demand and supply will be about 1.7 to 2 million tonnes or about 25 per cent of the actual demand. The gap will be alarmingly high with respect to alloy steels such as high speed steel and stainless steel in respect of which the indigenous manufacturing units have miserably failed.

India's place in the world of steel in 1967 was almost at the bottom (see Table below) :

	Per Capita consumption (kg)	Total production (Million tonnes)	Actual consumption (Million tonnes)
USA	634	115.4	126.2
Sweden	589	4.8	4.6
Czechoslovakia	583	10.0	8.3
Japan	513	62.1	51.2
West Germany	476	37.7	28.5
USSR	415	102.2	97.7
UK	388	24.3	21.4
India	13	6.4	6.4

The union Minister of Steel and Heavy Engineering Mr B.R. Bhagat explained at Calcutta the other day the objectives of the government in relation to policy on steel. The first was to maintain full production in the existing plants. This would mean the production of at least a million tonnes more of steel immediately, relieving thereby the present scarcity appreciably. The second was to commission the Bokaro Steel Plant according to schedule. The third was to regulate the supply of steel, which had become scarce, according to a strict priority.

Mr K. S. Krishna Murthy is the general manager of Jairamdas Udyog Private Ltd.

Government Support Assured

Mr Dinesh Singh, Minister for Industrial Development, has assured the industry of government's full support to the engineering industry in its plans for accelerated growth and ambitious exports. The engineering industry which has just recovered from the disastrous effects of recession is facing acute shortage of steel. According to the Chairman of the Engineering Export Promotion Council (EEPC) the monthly allocation of billets to the council for distribution to its members is hardly 2500 tonnes, against the minimum requirements of 4000 tonnes. Even this meagre supply is always delayed.

A latest study of the export of hand tools and small tools reveals some interesting facts. Exports in this category rose from Rs 2 lakhs in 1960-61 to Rs 2.78 crores in 1968-69. The world trade in these tools in 1966 was of the order of Rs 375 crores. Indian share is less than one per cent in this group. The EEPC has fixed the export target of Rs 8 crores for these tools and Rs 250 crores for the entire engineering industry in 1973-74. These will remain paper targets unless some miracle happens.

The existing shortage may be relieved to a large extent if various categories of steel required by the engineering industry and in required quantity are imported. But there is a world-wide shortage of steel. The only solution to this problem both from short-term and long-term points of view is to maximise domestic production by making optimum utilisation of capacity, coupled with technological innovation. The seminar on the Engineering Industry in the Seventies held in New Delhi earlier in August 1970 called for an annual increase of 10 per cent in steel production up to the end of the fifth Plan. This means doubling the capacity of the steel industry. Past experience with the building and management of Hindustan Steel, if it is any guide, would not raise hopes of increasing production to that level.

The cost of Bokaro Steel Plant has gone up from an initial estimate of about Rs 640 crores to over Rs 1000 crores. One cannot be sure when exactly the first kg of steel will roll out of Bokaro. We should hope that it does not become another Durgapur. The government is planning a substantial increase in steel capacity in the coming years by the construction of a number of new plants, but all in the public sector. The Prime Minister's announcement of a steel plant each to the states of Tamil Nadu, Mysore and Andhra while it is welcome so far as it goes, would be converted into a reality only if sufficient resources are available internally for their completion. Mr J.R.D. Tata has emphasised the fact that the expansion of the existing plants is less costly and much easier to effect, usually requiring only a small increase in labour force and practically none in management. While the expansion of the existing public sector plants has been slow for various reasons, no advantage is being taken of the potential of the private sector plants. Mr Tata says that the country's larger interests are being sacrificed at the altar of ideological dogma and the government's whims and fancies. No sane person can disagree with this assessment.

Need for Efficiency

Mr K.T. Chandy, Chairman of the HSL said recently that the expansion of the Bhilai Steel Plant from 2.5 to 3.2 million tonnes by the end of 1971 would cost only Rs 40 crores and a further Rs 200 crores to expand it to 4.2 million tonnes capacity. Expansion of the existing units and cent per cent utilisation of these units in both the sectors should have been the hallmark of the government's policy for the next two years at least instead of adding to the national loss in the form of Bokaro Steel Plant. Experience of steel manufacturers in the UK and other countries indicates that small plants specialising in certain types of steel could be very efficient and economical. Examples are Firth and Brown and Samuel Osborn and Dormer of the UK. What is happening in India? We are putting all the eggs in one basket. The alloy steel plant at Durgapur is only fattening its order books and has not been able to supply any goods against pending orders, some of them more than two years old. There are hundreds of steel rolling mills in the country which can be made to put up plants for melting and purifying steel from pig iron. Domestci supplies could be augmented to some extent by permitting the electric arc industries to convert scrap into billets so that the existing idle rolling capacity can be utilised.

The government's steel distribution policy has come under severe fire in the last few months. It is claimed that the new distribution policy is meant especially to help the actual users and the small producers. The Steel Priority Committee (SPC) is to control the Joint Plant Committee (JPC) and yet has no representatives from the organised consumer interest. The indenting procedure is cumbersome and obnoxious. A considerable time lag would intervene between the placing of orders and the receipt of steel by the producers.

The demand for security deposits — 15 per cent from actual users and 25 per cent from dealers — will absorb almost the entire working capital of small consumers without any guarantee of supply on time. There is no penalty clause imposed on the supplier firms for non-delivery of steel according to schedule. Besides, those who are able to collect ready cash will have a terrific advantage over the bona fide consumers and dealers. It is not understood how the government could think of such an unfair distribution policy which is sure to encourage the black market in steel which already exists. It is some consolation that the JPC relaxed subsequently the stipulation for payment of earnest money along with indents for steel items.

A lot can be said on the frequent changes made by the government in respect of the reimbursement of the difference between the domestic price and the international price, import licences, fixation of drawback rates, settlement of claims, application for expansion and diversification of industries. While the steel shortage is going to live with us at least for a decade more, why cannot the government remove some of the vexatious and procedural handicaps and develop a streamlined distribution and licensing policy with no political overtures or dogmas?

Seven Years too Late

R. V. MURTHY

EXCEPT FOR the fact that the new business of the Life Insurance Corporation of India (LIC) crossed the coveted Rs 1000-crore mark, albeit some seven years too late, and the slightly improved tempo of settlement of policy claims, only to be expected in the context of the repeated stress on this specific aspect of the LIC's working by Mr T.A. Pai, the new chairman, the progress made by the LIC during 1969-70, according to the annual report and audited accounts of the corporation for that year as adopted at the LIC Board meeting on August 31, 1970, and released to the press the other day, has more or less maintained the familiar pace and pattern. Of course, it would take a little more time before all the beneficial effects of the continuing favourable economic conditions in the country and the dynamic personality of the new chairman make their combined impact.

What ever the impact, in so far as the expectations of a reduction in the rates of premium or a rise in the rates of bonus distribution are concerned, it would seem, the policyholder will do well to stop bothering about, if he does not want to feel frustrated or embittered in the event. For, though the lapse ratio and mortality experience may improve and the net rate of interest income also may continue to rise, the unpredictable behaviour of the renewal expense ratio is likely to more than offset their good effect, at any rate so long as inflationary conditions persist. Mr Pai spoke at the Board meeting of the LIC having shifted its emphasis "from policies to persons", but it seems more correct to say that the emphasis has shifted from "policy holders to people". While the LIC is interested in mobilising the peoples' savings and expects the policy holder to play his part in this task directly, the overall aim is to help accelerate economic growth, the benefits of which are bound to percolate to the policy holder also, though indirectly.

Decline in Lapse Ratio

It is noteworthy that, due to the special efforts of the Corporation, the lapse ratio declined from 6.3 per cent in 1968-69 to 5.9 per cent in 1969-70. (It had came down from 7 per cent in 1967-68 to 6.3 per cent in the preceding year) and that the chairman hopes further to imrpove upon this performance by means of the several campaigns he has outlined to promote insurance-consciousness among the people. Similarly, thanks to the more or less general upward trend in interest rates, the corporation realised on its mean life insurance fund a net rate of 5.57 per cent (gross rate 6.06 per cent) in 1969-70, as compared to 5.31 per cent (5.94 per cent gross) in 1968-69. (Mr Pai has, with his extensive banking background, lost no time in making sure of other interest income by raising the effective rate of interest on mortagage loans and imposing a levy up to 2½ per cent in case of default in place of the rebate of one per cent, that was being allowed all along for punctual payment). Mortality experience too must be presumed to have been favourable (i.e. more than has been assumed actuarily) although death claims in 1969-70 at Rs 18.29 crores were slightly higher than the preceding year's figure of Rs 15.61 crores (perhaps a reflection of the special efforts made to settle claims expeditiously). We should be soon having the valuation report which will throw fuller light on this aspect.

As against these welcome features must be set the unpredictable overall expense ratio, which for the year under review (for life business only) worked out to 27.69 per cent as against 27.54 per cent for 1968-69. The renewal expense ratio also was higher at 16.15 per cent as against 15.91 per cent in the preceding year (though the statutory ratio is still supposed to be 15 per cent only). LIC chairman may change, but the way in which such rises are explained away seldom does. Last year, Mr M.R. Bhide, the then LIC chairman, stated that although there was a slight increase, it could be considered as "not unsatisfactory" in view of the prevailing inflationary situation in the country.

Marginal Renewal Expanse Ratio

This year, Mr Pai has said the rise in the renewal expense ratio can only be considered "marginal", considering the prevailing inflationary conditions and their effect on staff salaries and allowances, as also increases in other items of expenditure. And this has happened in spite of a further reduction in the total number of employees to 51,338 as on March 31, 1970 and more progress in electronic data processing. The reduction in staff, we are told, is due to the complete stoppage of recruitment in the cadre of development officers, but if the gospel of insurance has to be carried to every nook and corner of the country as Mr Pai wants, the LIC has to step up the pace of recuritment of development officers to make up for the current phase of cessation. Moreover, as Mr Pai himself disclosed, the LIC is being saddled with recurring additional annual expenditure of some Rs 5-6 crores due to settlements with one section of its staff, besides what is to come when the dispute with the stenographers is settled. All this is bound to tell on the expense ratio, notwithstanding the pledge of all the LIC unions "to co-operate in creating a healthy climate of industrial relations with a

view to improving the efficiency of the corporation and its service to policy holders."

To turn now to the main features of the LIC's working in 1969-70. The corporation completed a new business of Rs 1,036.08 crores under 14.01 lakh policies. The corresponding figures for 1968-69 were Rs 929.35 crores under 14.54 lakh polices, which explains the higher per policy amount (Rs 7,394 in 1969-70 as against Rs 6,390 in 1968-69). The fall in denomination in the percentage of the total number of new policies from 74 in the previous year to last year also reflects the trend in favour of larger sized policies, a healthy trend that is bound to continue until perhaps some young turk gets a brain wave to suggest a ceiling on the size of life insurance policies.

Of the total number of policies issued in India, 56.9 per cent were sold to persons insuring for the first time. (In 1968-69, this percentage was higher at 68.5). The total number of non-medical policies--64.5 lakhs—however, constituted a higher percentage of the total number of policies issued in India (46.2 per cent) than in 1968-69 (45.8 per cent). The Salary Savings Scheme continued to make headway with 3.76 lakh policies, as against 3.74 lakh policies in 1968-69, the respective amounts insured aggregating Rs 177.33 crores and Rs 164.96 crores. Despite its efforts to penetrate into the rural areas and the chairman's observation that the scheme of collection of premia through selected post offices in these areas operated satisfactorily in 15 states, the LIC could account for only 71 per cent of the total number of policies sold to persons insuring for the first time, as against 81.3 per cent in 1968-69. But this compares favourably with 52.3 per cent for the urban areas.

Expansion of Non-Medical Scheme

A notable feature is the expansion of the non-medical scheme to cover female lives. This, together with the increase in the limits of maximum sum assured for the three different categories (general, special, and commissioned officers in armed forces), should yield sizable additions to new business in the current year.

Meanwhile, as at the end of March, 1970, the corporation's total business in force was Rs 6,425 crores under 141,01 lakh policies. On March 31, 1969, the figures were Rs 5,725 crores under 134,53 lakh policies. The premium income rose from Rs 234.78 crores to Rs 260.41 crores, while other income (interest on loans, rents from properties, dividends from investments, etc.) went up from Rs 67.95 crores to Rs 78.43 crores.

Of special interest always, to policy holders and others alike, is the position as regards the corporation's investments, the more so as ideas on these investments seem to be undergoing a distinct change. While lip sympathy continues to be given to considerations of yield and safety, there is shift in favour of investments with greater social rather than purely economic benefit. Mr Pai said that, "While safeguarding the interests of the policy holders, the corporation continued to play its role in the social and economic development of the country". The total book value of the LIC's investments as at the end of March, 1970 was Rs 1,528,66 crores, that is a rise of Rs 169.71 crores over the position as on March, 1969. Of this 73.6 per cent (73.1 per cent) 9.5 per cent as in the public sector (8.6 per cent) in the co-operative sector 0.4 per cent (0.5 per cent) in the joint sector and 16.5 per cent. (17.8 per cent) in the private sector.

Thus, while the percentage of investments in the public and the co-operative sectors has increased that in the joint and the private sector has come down. But, like Mr Bhide last year, Mr Pai also complained this year that he did not receive more applications from the private sector. Since last year, the position, from the point of view of the private sector, has deteriorated, what with the licensing policy and the credit policy being unduly loaded against the leading industrial houses, who normally account for the greater number of expansions and new projects. However, during 1969-70, the LIC agreed to underwrite 104 new issues of an aggregate amount of Rs 5,302.18 lakhs.

For the first time, we are given details of how every rupee of the LIC's income is earned and spent. According to Mr Pai, out of every rupee received by the corporation in 1969-70, 75.4 paise came from the policyholders (i.e. directly) and 22.6 paise from interest on accumulations of their funds (i.e. indirectly) while, out of every rupee of the outgo, 27 paise were paid towards policyholders' benefits, 21.1 paise went towards expenses of management and 51.7 paise added to the life insurance funds. From the comparative figures for the previous year, also given by the LIC chairman, the benefits to the policyholder improved by 1.4 paise, which is really something. But policy holders would appreciate having a breakdown of these benefits.

Progress of Housing in Japan and Hong Kong

HOMI J. H. TALYARKHAN

OURS IS not the only country with housing shortage. Even highly developed countries such as Japan and Hong Kong, in spite of their impressive progress in housing schemes, are still considerably short of their requirements. But there are certain features in their schemes which deserve to be emulated by us. They are:

(a) The faster pace of construction.

(b) The special Housing Bond System and Building Site Bond Scheme of Japan.

(c) Liberal amounts placed at the disposal of the Housing Corporation by the government.

(d) Special department in Hong Kong to arrange resettlement of squatters.

(e) The "Tolerated Areas" of squatters.

(f) The lands acquired, reclaimed and levelled where necessary and instantly utilised.

(g) The long-term programmes drawn up for housing.

(h) The method for calculating rents of tenements.

(i) Permission of simple home industries in the tenements in resettlement colonies.

(j) Different authorities for different types of housing required such as the Housing Authority for Low Income Group and the feasibility of having a high power advisory co-ordinating body such as the Hong Kong Housing Corporation.

(k) Also the Housing Society financed by the government for the slightly higher income groups.

In my study of housing schemes and visits to housing sites in Tokyo and Hong Kong, I found that many of the difficulties which we faced, were also being encountered by these countries.

Land is scarce and its cost is prohibitive. It is always purchase by the authorities at market price or even at higher price to avoid being challenged in a court of law. In view of the land problem, buildings are forced to more vertical to as many as 15 storeys but they are provided with lifts. Much reclaiming of the land has to be done at a high cost. Labour costs are high.

The demand for houses is so high that in Tokyo for 10,000 tenements, there

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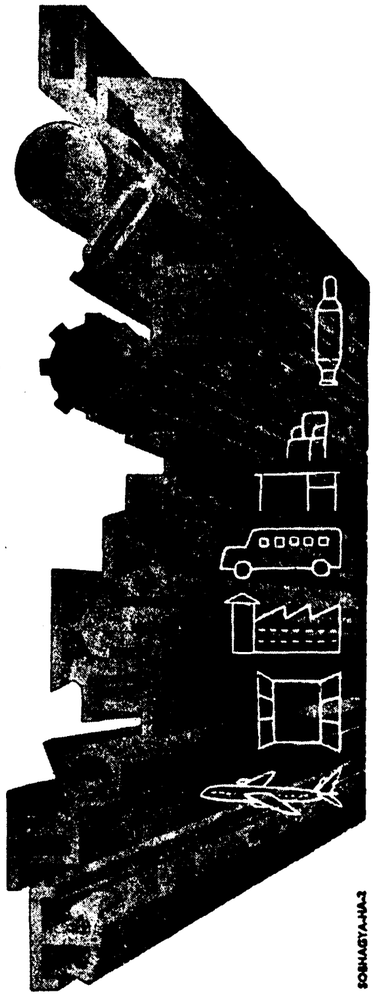

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are more than 1,00,000 applicants but the progress of construction in that country is much faster than ours.

The Japan Housing Corporation (JHC) has constructed 6,20,000 tenements during the last decade; that means, an average of 62,000 tenements every year. In addition, the JHC has developed 50,000 acres of land.

The JHC purchases land not only for its own housing projects but also for public sales of plots for the construction factories. The tenements constructed by the corporation are of two categories: (a) those on sale under the hire-purchase system and (b) those given on rent, the latter being a larger proportion.

Family as the Unit

Constructions vary from tenements for single persons to those for families. But now the trend is for three-room tenements and 70 per cent of the JHC's construction are of such type. The average rent is about 40 US dollars for a dwelling covering 60 sq. metres. Hire purchase scheme is much like ours — on a down payment and equal instalments for 20 years.

The JHC has a special housing bond system for raising funds for construction of houses for sale. Under this system, the corporation selects by lots individuals who are in dire need of housing and allows them to deposit money by purchasing fixed amount of special housing bonds twice a year and to continue this for two to three years. The corporation accords priority to such bond holders in the sale of tenements. The amount to be deposited by the purchaser of bonds is one-third of the estimated sale price of the dwelling or tenement. The balance is paid in equal instalments over 20 years. There is also the Building Site Bond to facilitate systematic acquisition of land. These schemes are worth considering in our country both for generating funds and getting people interested in them.

Regarding the type of construction, the buildings put up by the JHC are mostly ferro-concrete but some of them are also "pre-fab" pre-cast panel construction and metal form construction are generally accepted techniques but the JHC has found that they cannot be applied widely.

Research and studies are being conducted by the JHC all the time. Such studies aim at reliable estimation of requirements, planning of multi-storied apartments and development of design techniques and rational construction methods.

At the time of my recent visit, the JHC was busy conducting a study concerning Promotion of Implementation and Expansion of Public Facilities related with Housing Construction and also a study of correlation between building, land, development of enterprises and local government finances so that problems relating to public facilities relating to the construction of dwellings could be tackled.

The corporation derives its funds from government loans, from life insurance companies and trust banks and government investment. The government also gives grants and subsidies out of its general account in order to reduce the burden on the corporation caused by payment of interest on loans. In 1969 the corporation's budget was around Rs 300,000 million.

I inspected a number of housing comlexes put up by the JHC. They have plenty of open space, play grounds, schools, shopping centres, super markets, clinics, post offices, municipal offices, welfare centres and so on so that the colonies provide enjoyable community living.

In addition to the housing projects undertaken by the JHC, public housing is also extensively undertaken by the government aided local bodies which cater for low-income groups. I found their units larger and the rents higher because of the comparatively higher income-groups for which they cater as against the JHC which constructs tenements largely for the working classes.

The Government Housing Supply System in Japan operates through three channels:

(a) Government-managed apartment.

(b) Housing Loan Corporation financed dwelling and

(c) Japan Housing Corporation which has 4,500 officials and 17 directors but is operated by a management committee comprising the president and five others appointed by the Minister for Construction.

Housing Corporation Advisory Body

In Hong Kong, unlike Japan and our country, the Housing Corporation is neither a construction nor an executive agency. It is purely an advisory body which co-ordinates the activities of the re-settlement department which builds for squatters or unauthorised persons. The Housing Authority builds low-cost houses for low-income groups and the housing society is a voluntary organisation financed by low-interest government loans, providing dwellings for slightly higher income groups.

One-fourth of the population of Hong Kong lives in tenements constructed by the Resettlement Department. Over 1.1 million persons have been resettled during the last decade and a half by this department whose buildings are constructed for them by the PWD. The rents in this case vary from Hong Kong $18 to $40. The Area of dwelling varies from 120 to 216 sq. ft. It is less than what we consider standard size.

Removal of Squatters.

At present, the department has a six-year programme for accommodating another 400,000 persons from among the squatters who have occupied land unauthorisedly. But before they are removed, alternative accommodation is always provided. A unique feature with such squatters is that they are allowed to remain where they are under the category classified as "tolerated" if they are included in Squatter Surveys, the last of which was made in 1964.

In Hong Kong the department has vigorous Squatter Patrols to prevent the coming up of new squatter areas. Another feature is that the resettlement department does not allot tenements according to income groups but according to the size of the family.

The rent which is charged represents 8¼ per cent of the tenant's income for a built area measuring 180 sq. ft. The rents are calculated to cover the annual recurrent costs, administration costs and to recover capital outlay in 40 years at 3½% interest. Yet another feature of the Hong Kong scheme is that the simple home industries are permitted to be run in the tenements. Five progressive types of housing units known as Mark I to V have been developed. They range in area from 60 to 300 sq. ft. and in rent from Hong Kong $9 to $75 a month.

In addition to what the re-settlement department has done, the Housing Authority which is fed by public revenue has built low-cost houses for low-income groups and has provided homes for 135,000 persons costing nearly 40 million US dollars. Homes for another half million are under way. The Housing Society has built over 20,000 apartments ranging in rent from Hong Kong $40 to 170 a month.

The housing construction in Hong Kong is mostly of the conventional reinforced concrete material.

More than 80 per cent of Japan's household have only two children or less. Over one million abortions every year tend to keep law the rate of rise in population with 12,000 qualified gynocelogists, abortions and free use of contraceptives have become a way of life.

The Japan Family Planning Association works hard to encourage planned

parenthood. It puts out a lost of literature, films, newsheets etc. about family planning and its importance to the economy of the country.

The traffic jams and parking problems in Tokyo, Osaka, Hong Kong, Bangkok are worse than ours in spite of all the experts. Miles and miles of express ways, that is, roads atop the existing roads, with numerous inter-sections and lanes and alleys, have no doubt reduced the problem but they have by no means solved it.

A special Express-ways Corporation in Japan looks after this project exclusively and spends huge amount over acquisition of lands and the construction of the elevated roadways. In addition, the corporation has also constructed underground tunnels with ingeniously contrived inter-sections. Every method —underground, on the level, above it— is tried to relieve the traffic congestion, but the ever-increasing number of cars creates new problems. They constructed an Expressway all the way from Osaka to Kobe in eight months in readiness for the Expo' rush.

Model for Optimum Crops Combination

R. N. PANDEY & I. J. SINGH

INCREASING FARM production and income is the most urgent need in our economy these days. There are primarily two factors that have contributed more to make this problem so urgent. One of these is continuously increasing demand for food and fibre caused by rapidly increasing population and the other is, considerably low level of per capita income. The remedy obviously lies in increasing farm production and income. This has necessitated a careful examination of production alternatives and possibilities for increasing the efficiency of resources use in farming by optimum combination of enterprises.

Higher Yield Needed

Many and varied approaches have been employed in the past to tackle this fundamental problem of low productivity and income in Indian agriculture. The latest strategy of increasing farm production and income consists of introduction of high-yielding short-duration varieties of crops such as paddy, maize and wheat coupled with appropriate agronomic practices. Adoption of improved technology, however, involves higher investment in inputs particularly in seeds, fertilisers, irrigation, plant protection and weed control. The level of technology which assures higher yield and thereby higher income from a crop might not be within the reach of a farmer. His resources might be so limited that it is difficult for him to attain the recommended level of technology. Under such circumstances the problem is how to maximise farm income with the limited farm resources. A farm plan envisaging optimum resource allocation and enterprise combination is required to solve this problem.

With the above broad considerations, the present study was undertaken in the Tarai tract of the state of Uttar Pradesh with two main objectives:

(1) To study and compare the present pattern of resources used and allocation with crop combinations done by the farmers with the farm plans developed to get optimum combination of crops.

(2) To estimate the marginal value productivities of land and capital in the Tarai agriculture.

Data and Methodology

Four farms having the holdings of 6.70, 8.50, 20.25 and 26.30 hectares were purposely selected. Survey method was used, to collect the needed information on farmers' resources, their use, pattern and productivity during the crop year 1967-68. The input-output prices used in the study were also for the 1967-68 year.

To analyse the data, linear programming technique was used. This technique permits simultaneous considerations of many alternatives available to select the profit maximising combination of activities (crops). The mathematical formulation of model is as follows:

$$\text{Maximise } Z = \sum_{j=1}^{n} X_j C_j$$

$$\text{Subject to } \sum_{j=1}^{n} X_j C_j \leqslant bi, \ (i=1,2,3..k)$$

$$\sum_{j=i}^{n} X_j C_j \geqslant bi, \ (i=k+1, k+2..m)$$

$$X_j \geqslant 0, \ (j=1, 2, 3 \ .. \ .. \ ..n)$$

where

Z=total farm income over the cost of fixed factors in rupees,

X_j=level of activity (crop or a crop rotation) j (j=1, 2, 3.....n)

C_j=net farm income from one unit of jth activity

bi=the quantity available of ith resource

bi=minimum fodder and household requirements

aij=the amount of ith resource required by j^{th} activity.

Emprical Results

Table I shows the net income, land, labour and capital use on the case farms under the planned and unplanned conditions. The planned condition means the resource use and income obtained by using linear programming model whereas unplanned condition means resources use and income obtained according to farmers' own planning. The table shows that total cropped area and cropping intensity on all the farms except on Farm No. I were considerably increased under planned condition. On Farm No. I total cropped area and cropping intensity decreased under planned conditions compared to unplanned condition due to increase in area under sugarcane — the crop which occupies land area for about a year. In addition, sugarcane was the second most profitable activity after 'maize-potato' activity on Farm No. I (Table I). Due to increased total cropped area and intensity of cropping on case farms, the use of capital increased by about 50.7 per cent, 32.7 per cent, 6.8 per cent and 7.3 per cent on Farm Nos. I, II, III and IV respectively under planned conditions over unplanned conditions. Further, experimental evidence in Tarai area on multiple cropping also shows that the intensity of cropping is highly correlated to heavy capital investment (Singh and Singh 1970)[1]. Under planned conditions almost full use of the available capital (Table I) on case farms was made. Increased cropped area, intensity of cropping coupled with increased capital investment, increased net income considerably. For example, net income on Farm Nos. I, II, III and IV increased by 42.5 per cent, 54.6, per cent, 6.5 per cent and 10.5 per cent respectively under planned conditions over unplanned conditions.

Human labour employment on the farms studied was increased as well as decreased in the months (July, October, January and April) when it was restricted under planned conditions against unplanned conditions. Use of less labour under planned conditions compared to unplanned conditions in a particular month suggests its surplus. For example, in the months of July and April on Farm No. I and in the months of October and April on Farm No. III, units of

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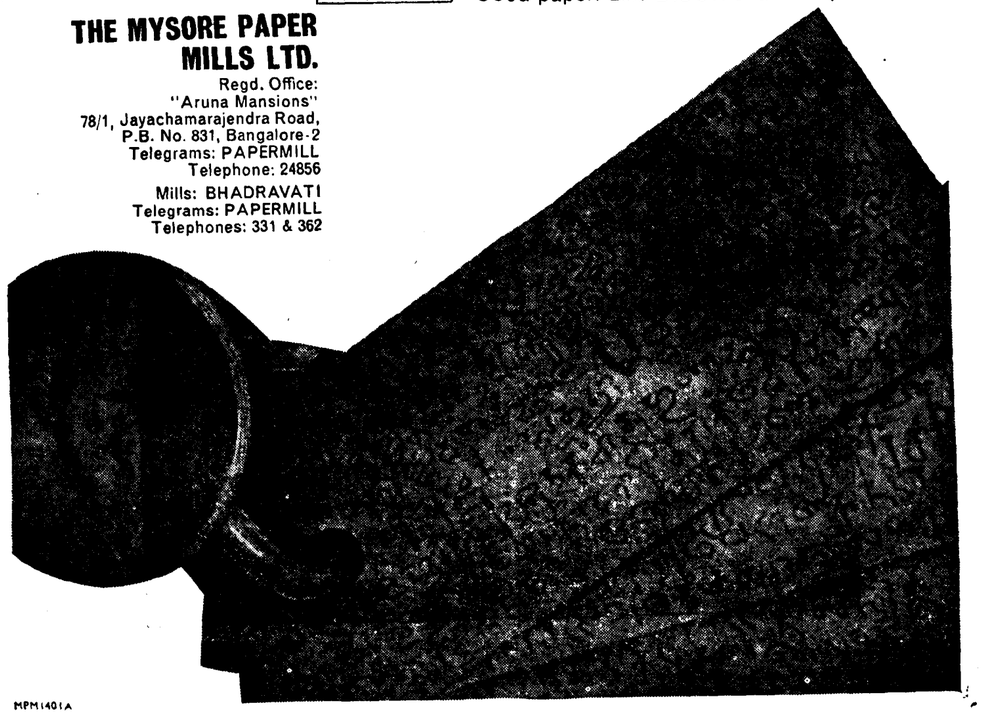

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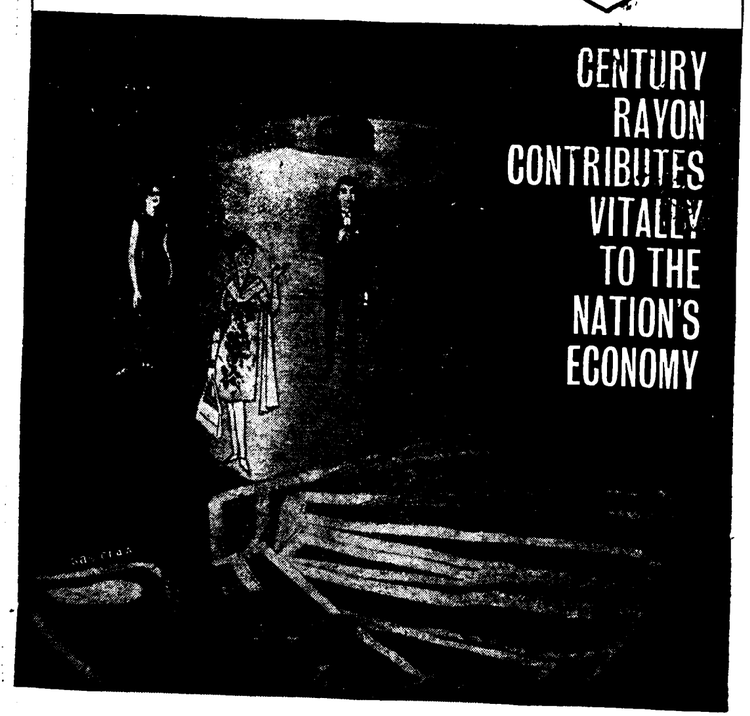


human labour employed were less under planned conditions than under unplanned conditions. Implication of this finding is that on these farms, there exists possibility of increasing farm income even more than the presented in Table I under planned conditions if surplus use of human labour may be made in off-farm employment or in raising a few good quality milch animals (Singh 1968)[2]. Considering total monthly supply of labour and labour employment under planned conditions, the overall human labour employment was increased under planned conditions (Table I).

Marginal Value Productivities

The marginal value productivity of a resource indicates increase in net farm income for unit increase in the quantity of a resource use. On Farm Nos. I, II, III and IV, the MVP of a hectare of land was Rs 3710, Rs 3131, Rs 1636.53 and Rs 3445 respectively. These figures of MVP of land seem reasonable although the market value of land in the locality has been considerably increasing over years and at present it ranges between Rs 7,500 to Rs 12,500 per hectare depending on the fertility level of soil.

The MVP of capital on Farm Nos. I and IV was zero since capital was not a limitation on these farms. At 1967-68 product prices, the MVP of capital on Farm Nos. II and III was Rs 3.50 and Rs 1.12 per rupee capital investment respectively. These figures suggest that the additional quantity of capital investment than the currently available (Table I) on Farm Nos. II and III would increase its productivity by Rs 3.50 and Rs 1.12 per rupee capital investment on these farms respectively. Considering the present bank rate of 9 per cent per year for the short-term loan, the MVP of capital on Farm Nos. II and III appears to be high. The policy implication of high MVP of capital is that the economic return to capital investment in highly fertile soils of Tarai area is assured and there is a good potential to increase credit facilities to the Tarai farmers by the commercial banks.

Conclusion

The following main conclusion emerge from the present study. (1) The percentage increase in total net income under optimum farm plans varied from 42.5 to 54.6 per cent on medium-size farms (6.7 hectares to 8.5 hectares) over unplanned conditions. This suggests that there is more inefficient allocation of resources on relatively smaller farms than on larger farms and thus there is more scope of increasing farm incomes by optimum enterprise combination on such farms.

(2) Under the optimum farm plans 'paddy-potato', 'maize-potato' and sugarcane were the most profitable activities. Under planned conditions the requirement for working capital was more than under unplanned conditions.

(3) The optimum crop combination obtained by using linear programming model increased cropping intensity from 5.7 to 23.6 per cent.

(4) The MVP of land varied between Rs 1636.53 to Rs 3710.00 per hectare whereas MVP of capital ranged between Rs 1.12 to Rs 3.50 per rupee capital investment in a crop year.

(Appendix to Table I on page 504.)

TABLE I

RESOURCE USE AND NET INCOME ON CASE FARMS UNDER UNPLANNED AND PLANNED CONDITION AND MVP OF LAND AND CAPITAL

Farm No.	UNPLANNED CONDITION							
	Total cropped Area (ha.)	Cropping Intensity (%)	Net Income (Rs)	Capital (Rs)	Huuman labour (man days) July	October	January	April
I	11·750	175·3	20575·65	14169·92	48	62	63	62
II	14·550	171·2	21761·64	7533·31	115	140	—	170
III	29·340	144·9	77715·42	42122·90	36	60	59	66
IV	33·590	127·7	86853·05	84955·75	88	103	137	144

TABLE I (*Contd.*)

PLANNED CONDITION

Total cropped Area (ha.)	Cropping Intensity (%)	Net Income (Rs)	Capital (Rs)	Human Labour (man days) July	October	January	April	MVP of Land (Rs)	MVP of capital (Rs)
10·400	155·2	29330·00	21355·00	41	74	84	45	3710·00	—
16·562	194·8	33648·90	10000·00	167	178	—	177	3131·00	3·50
30·501	150·6	82671·25	45000·00	54	39	65	56	1636·53	1·12
36·600	139·2	95978·50	91151·00	129	136	152	148	3445·00	—

Source : Pandey, R.N., "Optimum Combination of Crop Enterprises in Tarai Tract of Nainital District (U.P.)", M.Sc. Thesis submitted to College of Post Graduate Studies, U.P. Agricultural University, June 1969, pp. 43, 46, and 47.

(3) The optimum crop combination obtained by using linear programming model increased cropping intensity from 5.7 to 23.6 per cent.

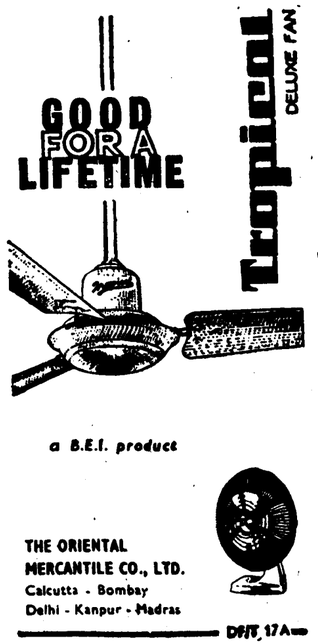
(4) The MVP of land varied between Rs 1636.53 to Rs 3710.00 per hectare whereas MVP of capital ranged between Rs 1.12 to Rs 3.50 per rupee capital investment in a crop year.

(Appendix to Table I on page 504.)

References

1. Singh, Ambika and Singh, I. J., "Multiple Cropping Programme under the New Agricultural Strategy", article in *Economic and Political Weekly*, (1970).

2. Singh I.J., "Stabilizing Farm Income against Crop Yield Instability", *Agricultural Situation in India*, (March, 1968), pp. 1335-1339.



APPENDIX TABLE I

GROSS INCOME, VARIABLE COST OF PRODUCTION NET INCOME FOR HECTARE AND AREA IN HECTARES UNDER EACH ACTIVITY INCLUDED IN THE OPTIMUM PLANS FOR CASE FARMS : 1967-68

FORM NO. I

Real activities	Symbol	Cross return (Rs)	Variable cost of prod, (Rs)	Net return (Rs)	Area
Paddy (L)—Wheat (M)	X_1	5750	2730	3020	—
Paddy (I)—Wheat (M)	X_2	7000	3290	3710	1·9
Maize(H)—Wheat (M)	X_3	6450	3015	3435	—
Maize (H)—Lahi/ Massore.	X_4	5145	1730	3415	—
Maize (H)—Potato	X_5	11700	3815	7885	1·0
Sugarcane	X^6	7500	3170	4330	3·0
Paddy(I)—Berseem	X_7	3910	2250	1660	0·6
Chari-Wheat (M)	X_8	4195	2145	2050	0·2

FORM NO. II

Real activities	Symbol	Cross return (Rs)	Variable cost of prod. (Rs)	Net return (Rs)	Area
Paddy (I, P) Wheat (MP).	X_1	6300	1745	4555	—
Paddy (L)—Wheat (L)	X_2	3440	745	2695	—
Paddy(I)—Wheat(M)	X_3	5405	1050	4355	2·560
Paddy(I)—Potato	X_4	9905	2435	7470	1·000
Paddy (I)—Barley	X_5	3210	560	2625	—
Paddy (I)—Lahi/ Massore.	X_6	3383	470	2913	—
Fallow-Potato	X_7	7500	2035	5465	—
Fallow-Wheat (M P)	X^8	3375	935	2440	—
Sugarcane (UP)	X_9	5400	1925	3475	—
Sugarcane (P)	X_{10}	7500	2570	4930	0·438
Chari Lahi/Massore	X_{11}	1123	215	908	—
Chari-Wheat (L)	X_{12}	1585	530	1055	—
Chari-Wheat (M)	X_{13}	3145	795	2350	0·500
Chari Barley	X_{14}	925	305	620	—
Paddy (L)—Berseem	X_{15}	2120	480	1640	1·250
Paddy-Wheat (M, UI)	X_{16}	4505	1000	3505	2·752

FORM NO. III

Real activities	Symbol	Cross return (Rs)	Variable cost of prod. (Rs)	Net return (Rs)	Area
Paddy (L)—Wheat(M)	X_1	5375	2050	3325	—
Paddy (I)—Wheat (M)	X_2	6300	2510	3790	3·000
Paddy (L)—Massore	X^3	3837	1050	2787	5·098
Paddy (I)—Massore	X_4	4762	1510	3252	—
Maize(H)—Wheat (M)	X_5	5595	2505	3090	—
Maize(H)—Potato	X_6	8970	3495	5475	2·153
Maize (H)—Lahi	X_7	3945	1495	2450	—
Maize (H)—Massore	X^8	4057	1505	2552	—
Maize (H)—Lahi/Gram	X_9	4057	1635	2422	—
Sugarcane	X_{10}	7000	2460	4540	9·999

FORM NO. IV

Real activities	Symbol	Gross return (Rs)	Variable cost of prod (Rs)	Net return (Rs)	Area
Paddy(L)—Wheat(M)	X_1	5625	2650	2975	1·000
Paddy (I)—Wheat(M)	X_2	6215	2670	3545	5·300
Paddy (I)—Potato	X_3	10490	4995	5495	2·000
Mentha	X_4	2500	1695	805	—
Sugarcane	X_5	7500	3770	3730	16·000
Paddy (I)— Berseem	X_6	3990	2300	1690	1·000
Chari-Wheat (M)	X_7	3595	1740	1855	1·000

Source : R. N. Pandey, "Optimum Combination of Crop Enterprises in Tarai Tract of Nainital District (UP)", M.Sc. Thesis submitted to the Post Graduate College, UP Agricultural University, Pantnagar, Nainital (June 1969).

Legend :

H = Hybrid.
I = High yielding.
M = Mexican
P = With package of practices
UI = Unirrigated
UP = With usual practice followed by the farmer.

WINDOW ON THE WORLD

Public Expenditure Trends in O.E.C.D. Countries—I

JOSSLEYN HENNESSY

LONDON:

THE SHARE of government expenditure in national output varies from country to country. In 1965 the total share — either as direct public purchases of goods and services, or indirectly through transfer payments to the private sector — ranged from something over 20 per cent in Japan to some 40 per cent in the Netherlands and Sweden.

In all OECD countries government expenditure has been rising faster than total production; this is not new: studies have shown a rising share of the government sector in many countries at least since 1900. This trend which is clearly important, reflects the increasing extent to which governments provide social needs, and it creates problems, because of the increasing revenues that governments need to finance their expenditures.

In the latest issue of the *OECD Outlook's Occasional Studies* (2 rue Andre Pascal, Paris 16, France), Miss Mary Garin-Painter gives a pre-view of material prepared for Working Party No 2 of the OECD's Economic Policy Committee, which throws valuable new light on the underlying reasons for the growth of expenditure.

The material suggests that the rising share of the government sector stems from much the same causes in all mem-

TABLE 2

RATIO OF GROWTH RATES OF GOVERNMENT EXPENDITURE TO GROWTH RATES OF GNP, 1965-66

	Total expenditure	Civil expenditure only
AT CURRENT PRICES		
Major Countries		
Canada	1.3	1.6
France	1.2	1.2
Germany	1.2	1.2
Italy	1.2	1.3
Japan	1.1	..
United Kingdom	1.1	1.3
United States	1.2	1.6
Other Industrialised Countries		
Austria	1.2	1.2
Belgium	1.4	1.5
Denmark	1.3	1.3
Iceland	1.2	1.2
Ireland	1.2	1.3
Netherlands	1.3	1.4
Norway	1.4	1.5
Sweden	1.3	1.3
Switzerland	1.3	1.4
Developing Countries		
Greece	1.5	1.6

	Total expenditure	Civil expenditure only
AT CONSTANT PRICES		
Major Countries		
Canada	1.2	1.7
Price deflator	1.4	1.4
France	1.3	1.4
Price deflator	1.1	1.1
Germany	1.3	1.3
Price deflator	1.1	1.0
Italy	1.2	1.3
Price deflator	1.2	1.2
Japan	0.9	..
Price deflator	1.4	..
United Kingdom	1.0	1.4
Price deflator	1.2	1.1
United States	1.3	1.8
Price deflator	1.3	1.3
Other Industrialised Countries		
Austria	1.2	1.2
Price deflator	1.3	1.3
Belgium	1.7	1.8
Price deflator	1.0	1.0
Denmark	1.2	1.4
Price deflator	1.3	1.3
Iceland	1.6	1.6
Price deflator	1.0	1.0
Ireland	1.5	1.5
Price deflator	1.1	1.1
Netherlands	1.4	1.7
Price deflator	1.2	1.1
Norway	1.5	1.6
Price deflator	1.3	1.3
Sweden	1.4	1.5
Price deflaor	1.1	1.1
Switzerland	1.6	1.7
Price deflator	1.0	0.9
Developing Conutries		
Greece	1.5	1.8
PriceDeflator	1.4	1.2

TABLE I

GROWTH OF GOVERNMENT EXPENDITURE AND COMPONENTS : 1955-1965

Annual average percentage changes

	GNP	Total government expenditure	Civil current expenditure on goods and Services	Transfers to households	Gross fixed investment
AT CURRENT PRICES					
Major Countries					
Canada	6.5	8.2	10.6	10.0	9.3[b]
France	10.4	12.1	13.1	13.1	13.7[b]
Germany	8.9	11.0	10.3	10.1	14.9
Italy	9.2	11.3	12.2	13.1	7.0[b]
Japan	13.6	14.5	12.6[d]	14.4	18.0[b]
United Kingdom	6.2	6.9	8.3	9.4	7.1
United States	5.6	6.9	9.8	8.8	8.1[b,e]
Other Industrialised Countries					
Austria	8.3	10.2	9.0	11.4	8.9
Belgium	6.1	8.7	8.7	9.5	10.5[b]
Denmark	9.0	11.5	12.3	11.6	12.0
Iceland	15.9	18.4	17.3	19.3	24.2[b]
Ireland	6.3	7.8	7.3	7.7	7.7
Netherlands	8.8	11.5	12.0	15.9	11.2
Norway	7.6	10.7	11.3	12.5	10.2[b]
Sweden	8.2	10.4	10.7	12.1	9.3
Switzerland	8.2	11.0[f]	9.0	18.3	..
Developing Countries					
Greece	9.1	13.3	13.7	14.2	14.9

	GNP	Total government expenditure	Civil curreut expenditure on goods and services	Tradsfers to households *a*	Gross fixed investment
AT CONSTANT PRICES					
Major Countries					
Canada	4.4	5.2	6.0	8.1	
Price deflator	2.0	2.8	4.3	1.7	7.6[b]
France	5.0	6.3	5.4	7.9	81.6[b]
Price deflator	5.1	5.5	7.2	4.8	4.5[b]
Germany	5.6	7.4	(5.7)[c]	7.4	11.5
Price deflator	3.1	3.4	(4.4)[e]	2.5	3.1
Italy	5.0	6.1	4.8	9.4	3.8[b]
Price deflator	4.0	4.9	7.1	3.4	3.0[b]
Japan	9.7	9.1	5.2[d]	10.7	14.2[b]
Price deflator	3.6	4.9	7.0[d]	3.4	3.3[e]
United Kingdom	2.9	3.0	2.9	6.5	4.2
Price deflator	3.2	3.8	5.2	2.7	2.8
United States	3.4	4.0	6.1	7.1	5.2[b,e]
Price deflator	2.1	2.8	3.6	1.6	2.7[b,e]
Other Industrialised Countries					
Austria	4.8	5.8	2.2	8.5	4.1
Price deflator	3.3	4.2	6.6	2.7	4.5
Belgium	3.7	6.2	6.2	6.9	7.0[b]
Price deflator	2.4	2.4	2.3	2.4	3.2[b]
Denmark	4.9	6.1	5.3	7.9	7.6
Price deflator	3.9	5.1	6.6	3.4	4.0
Iceland	4.6	7.2	6.4	7.7	13.0
Price deflator	10.8	10.4	10.2	10.8	9.9[b]
Ireland	2.4	3.5	1.8	4.3	3.9
Price deflator	3.8	4.2	5.4	3.3	3.6
Netherlands	4.7	6.4	(4.6)[c]	12.5	6.9
Price deflator	3.9	4.8	(7.1)[c]	3.0	4.0
Norway	4.3	6.4	6.0	9.0	6.0[b]
Price deflator	3.2	4.0	5.1	3.1	4.0[b]
Sweden	4.2	5.8	5.1	8.2	5.4
Price deflator	3.9	4.3	5.3	3.6	3.7
Switzerland	4.6	7.3[f]	(4.5)[c]	15.6	..
Price deflator	3.5	3.4[f]	(4.3)[c]	2.3	..
Developing Countries					
Greece	6.1	9.1	(7.6)[c]	12.1	11.7
Price deflator	2.8	3.8	(5.7)[c]	1.9	2.9

(*a*) Constant price data calculated by the OECD secretariat using the implicit price index for expenditure on private consumption.

(*b*) Excludes unincorporated government enterprises.

(c) Deflated by deflator for total current expenditures on goods and services.

(*d*) Includes defence.

(*e*) Excludes expenditure on machinery and equipment.

(*f*) Current expenditure only.

Source :OECD, *National Accounts Statistics* 1958-1967 and country submissions.

ber countries: expenditure on education, health and welfare services. Increasing concern in many countries to improve education facilities, to provide health and welfare services which not only afford minimum security but allow all to share in increasing prosperity, and growing concern with problems of urban congestion and renewal, all suggest that these demands will continue to rise strongly.

The study also reveals the limitations of the statistical information. A questionnaire was designed to supplement the information regularly available to the OECD secretariat but only nine countries (less than half the total) were able to supply fairly complete returns, and even among these differences hamper comparisons. Estimates in volume terms — of the real resources involved in government expenditure — are generally less reliable than estimates at current prices.

The new international System of National Accounts (SNA) for reporting to the OECD and the United Nations includes more detailed breakdown of government expenditure by purpose than that of the Standardised System of National Accounts, so that as countries switch to the new system, better information will become available. This will probably take some time, however.

Definition and Measurement

Miss, Garin-Painter defines government expenditure as: current expenditure of general government on goods and services; current transfer payments; subsidies; interest on the public debt; capital formation of general government; capital formation of unincorporated government enterprises (enterprises financially integrated with the government and which do not keep their own reserves).

Miss Garin-Painter excludes transfers and subidies among central and local governments and social security institutions. She excludes capital formation of public corporations but includes subsidies to public corporations. She excludes capital transfers and net loans, as data are lacking for many OECD countries. She shows estimates at current and constant prices. There are serious conceptual and practical difficulties in estimating an appropriate price deflator for government expenditure on goods and services which limit the significance of constant price figures. She discusses the importance of overcoming these difficulties. She deflates transfer payments using the implicit price index for personal consumption expenditure, and subsidies and interest

TABLE 3

BREAKDOWN OF TOTAL GOVERNMENT EXPENDITURE, 1955 AND 1965

(Current prices: percentage of total)

		Current expenditure on goods and services: Defence	Civil	Total	Transfers to house holds	Other expenditure	Gross fixed asset formation
Major Countries							
Canada	1955	25.5	28.0	53.5	23.7	10.6	12.2[a]
	1965	10.5	35.1	45.6	28.0	12.7	13.6[a]
France	1955	(15.4)	(22.7)	(38.1)	(41.1)	(13.9)	(6.9)[a]
	1965	11.2	24.6	35.8	44.7	11.7	7.9[a]
Germany	1955	11.3	33.2	44.5	38.5	8.1	9.0
	1965	11.4	32.6	44.0	37.2	6.0	12.8
Italy	1955	10.1	32.1	42.3	33.6	12.1	12.0[a]
	1965	7.5	35.0	42.5	39.5	9.9	8.1[a]
Japan	1955	(5.1)	(47.6)	52.7	20.7	4.2	22.4[a]
	1965	(4.3)	(40.5)	44.8	20.6	4.3	30.3[a]
United Kingdom	1955	23.4	27.7	51.1	17.8	19.0	12.1
	1965	16.9	31.4	48.3	22.3	17.1	12.3
	1955	40.0	29.0	68.9	15.5	6.9	8.6[a]
	1965	27.1	38.1	65.2	18.6	6.5	9.7[a]
Other Industrialised Countries							
Austria	1955	2.5	38.8	41.3	31.4	6.0	21.3
	1965	3.5	34.7	38.1	34.8	8.3	18.8
Belgium	1955	13.0	31.6	44.6	35.1	13.3	7.0[a]
	1965	9.2	31.4	30.6	37.6	13.6	8.2[a]
Denmark	1955	12.7	39.9	52.6	27.3	7.4	12.7
	1965	8.9	42.8	51.7	27.6	7.4	13.3
Iceland	1955	..	38.0	38.0	26.3	24.3	11.44[a]
	1965	..	34.5	34.5	28.5	18.6	18.4[a]
Ireland	1955	4.6	42.4	47.0	21.6	21.1	10.2
	1965	3.8	38.1	41.9	21.5	22.7	13.9
Netherlands	1955	18.2	28.2	46.4	23.0	11.9	18.8
	1965	9.2	29.6	38.8	34.0	7.9	18.3
Norway	1955	13.0	32.8	45.8	23.1	19.3	11.8[a]
	1965	9.9	34.9	44.8	27.2	16.7	11.3[a]
Sweden	1955	15.4	36.0	51.4	22.3	6.7	19.6
	1965	10.6	37.4	48.0	25.8	8.1	18.2
Switzerland[b]	1955	14.8	50.9	65.7	18.0	16.3	..
	1965	11.7	42.7	54.4	34.1	11.6	..
Developing countries							
Greece	1955	25.4	29.5	54.9	25.5	1.9	17.7
	1965	14.7	30.6	45.3	26.5	6.9	21.3
Portugal	1955	..	..	55.5	34.7		9.9
	1965	30.2	24.7	54.9	34.8		10.4

(*a*) Excluding unincorporated public enterprises.

(*b*) Prcentages of current expenditure.

Source : *O.E.C.D. Economic Outlook.*

payments (not shown separately in Table 1, page 504) using the GNP deflator.

Growth of Government Expenditure

Table 1 shows that there has been a striking similarity in the pattern of growth of government expenditure in different countries, in total and by major components. Total government expenditure grew faster than GNP in current prices over the period 1955-65. Comparison is made throughout between developments in total government expenditures and GNP, although not all components of government expenditure, as here defined, are components of GNP: only current expenditure of goods and services and capital formation contribute directly to GNP. The other components are various forms of transfers of income. In view of the magnitude of these transfers (Table 3, page 505) their inclusion is necessary to have acomplete picture of government expenditure.

Total government expenditure also grew faster in constant prices in all countries except Japan, where it was slightly slower than that of output (in Japan, however, the price deflator for government expenditure rose particularly rapidly compared with the GNP deflator). Transfer payments to households rose faster than total government expenditures in both current and constant prices, except in West Germany and Japan. In most countries, fixed investment also rose faster than total expenditure. Current civil expenditure on goods and services also grew more rapidly than the total in over half of the countries. The faster-than-average growth of these three major components was balanced by the declining share of defence expenditure on goods and services (Table 3).

There was a considerable similarity between countries in the ratio of the growth of government expenditure (both total and civilian only) to the growth rate of GNP (Table 2, page 503). This may partly be just a characteristic of the years studied; similar calculations for 1950-60 showed larger variations. When defence expenditure is excluded, the ratios are, of course, somewhat higher and there is less similarity among countries. The ratio for price deflators and for expenditure at constant prices should be treated with reserve.

Table 3 shows the weight of the various expenditure categories. (Note that the data for fixed investment are not always comparable, as for a number of countries there are no figures for investment by unincorporated enterprises). Current civil expenditure on goods and services generally amounts to one-quarter to one-third of the total. Defence account for a quarter in the USA in 1965 (against 40 per cent in 1955) but was less important in other countries and its share was generally declining over the ten years. Transfer payments to households varied from about 20 per cent of the 1965 total in the USA to 40 per cent in France. Fixed investment by the government varied widely, from 8 per cent in France and Belgium to 30 per cent in Japan, where it showed a sharp increase from 1955.

It is sometimes suggested that a high share of government in claims on total output or a rapidly growing government sector is a handicap in achieving a high level of affluence (as measured by per capita GNP), or alternatively that a fast growth rate in government expenditure is associated with a low initial share of government in total output. Miss Garin-Painter does not agree. She points out that the growth rate of government spending (Tables 1-2) tends to be highest in countries where output growth is highest; and, except in Greece and Japan, is not particularly associated with either a low government share of a low per capita output (Table 4). Sweden has the highest government share and ranks second in per capita GNP.

Government Expenditure in Real Terms

Since statistics of government expenditure are collected at current prices, the volume of real expenditure can be derived from them only with some difficulty, at least for wages and salaries. It is difficult to define the service of a teacher or a civil servant in real terms; the normal method is to measure the volume of government employees' services by the number of employees, or by deflating expenditure on personnel by indices of wage and salary rates. This means that, because productivity growth cannot be measured — though it almost certainly exists — it is, in most countries, arbitrarily assumed to be zero. (West Germany and Belgium allow for rising productivity but the allowances are necessarily arbitrary).

The convention of static labour productivity means that published figures normally underestimate the real growth of the government sector and overestimate the deflator, and also the real growth of GNP is underestimated and that the rise in the price deflator for GNP is overestimated. In all countries the price deflator for total government expenditure rose more rapidly than that for GNP (Tables 1-2) because of the rapid rise in prices of current civil expenditure, a large part of which is the wages and salaries of civil servants. Note that for Belgium the price deflator for government is the same as that for GNP, reflecting the allowance made for an assumed productivity increase of government employees. These difficulties undermine the estimates of the growth of real government expenditure, and of its deflator in Tables 1-2.

The handicap is not merely of statistical significance; nor is it confined to the public sector, but exists also for many services and, in some cases, for construction. It hampers comparison of the true claims on real resources made by different sectors of the economy. Thus it complicates the issues involved in making the difficult social choices between the development of public and private expenditure.

A second and concluding article next week will analyse government expenditure by function and by economic class.

TABEL 4

GROWTH AND IMPORTANCE OF GOVERNMENT EXPENDITURE BY COUNTRY

	Growth rate of gvernment expenditure at constant prices 1955-65		Total government expenditure as percentage of GNP 1965		Per capita GNP at market prices[a] 1965
	%	Rank	%	Rank	Rank
Greece	9.1	1-2	27.6	14	17
Japan	9.1	1-2	21.5[b]	16	16
Germany	7.4	3	35.1	6	8
Switzerland	7.3	4	..		5
Iceland	7.2	5	26.4[b]	15	3
Netherlands	6.4	6-7	40.1	2	12
Norway	6.4	6-7	36.7[b]	4	9
France	6.3	8	37.5[b]	3	7
Belgium	6.2	9	31.7[b]	9	11
Denmark	6.1	10-11	30.1	12	6
Italy	6.1	10-11	34.4[b]	7-8	14
Austria	5.8	12-13	35.3	15	13
Sweden	5.8	12-13	40.5	1	2
Canada	5.2	14	30.9[b]	11	4
United States	4.0	15	27.7[b]	13	1
Ireland	3.5	16	31.0	10	15
United Kingdom	3.0	17	34.4	7-8	10

(*a*) At 1965 exchange rates.
(*b*) Excludes gross fixed asset formation of unincorporated government enterprises.
Source : Table 1.

World Bank: Peak Level of Lending

THE IDA assistance to our country reached a new peak at $ 227.5 million during the fiscal year ended June 30, 1970. This was 37 per cent of the Association's total commitment of $ 605.6 million in the year under report. The commitments of the IDA included its first agricultural credit projects in India (in the states of Gujarat and Punjab). In fiscal 1970, the Bank made one loan of $ 840 million to the Industrial Credit and Investment Corporation of India.

The cumulative total of Bank and IDA lending in India was $2,352.5 million—$1,087.6 million in Bank loans and $1,264.9 million in IDA credits on June 30, 1970.

In fiscal 1970, Asia emerged as the principal regional recipient of World Bank loans and IDA credits. With loans and credits totalling $869 million, Asia accounted for almost 40 per cent of the Bank and IDA lending of $2,186 million (excluding a loan of $100 million to the Bank's affiliate, the International Finance Corporation) during the year.

The World Bank group approved commitments for economic development amounting for the first time to over $2,000 million during its latest fiscal year, which ended on June 30, 1970. The annual report of the Bank and its affiliate, the International Development Association (IDA), released on September 10, records new peak levels of lending by all the three members of the group—the Bank itself, IDA, and the International Finance Corporation (IFC).

The year's commitments in member countries totalled $2,298 million, made up as follows:

World Bank: 69 loans in 39 countries totalling $1,580 million.

IDA: 56 credits in 33 countries totalling $606 million.

IFC: 29 investments in 19 countries totalling $112 million. In addition, the Bank lent $100 million to IFC during the year.

The year under review was the second year of notable expansion in the World Bank group's lending activities. The President, Mr Robert S. McNamara, had stated in his September 1968 speech to the boards of governors that he believed the group should lend twice as much over the 1969-1973 period as it had in the previous five years. The report shows that this target is well on the way to being achieved, with sharp increases in all sectors of Bank/IDA financing during the past two years compared with the 1964-1968 average. Comparative figures for the main lending sectors are given below:

BANK/IDA COMMITMENTS BY PURPOSE ($MILLION)

(million dollars)

	1964-1968 average	1969	1970
Agriculture	124	367	413
Education	31	82	80
Public Services Tranportation	362	475	661
*Public Utilities	377	485	654
***Industries*	141	241	293

*Electric power, telecommunications, water supply and sewerage.

**Excludes industrial imports credits.

In addition to the amounts shown above, the year's loans and credits also included one IDA credit for *industrial imports* (of $75 million) the group's first commitment for *family planning* (a bank loan of $2 million) and a number of IDA credits for *project preparation* (totalling $9 million).

Lending was again widely spread throughout the developing world in 1970. Lending by area showed marked increases over the previous year and the 1964-1968 average for all developing areas.

BANK/IDA COMMITMENTS BY AREA

(million dollars)

	1964-1968 average	1969	1970
Africa	161	345	443
Asia	486	788	869
Europe	149	180	161
Latin America and Caribbean	310	472	714

As well as sharply increasing its lending operations for physical projects, the group also continued to expand its technical assistance and other activities during fiscal 1970. The report notes that many of the year's loans and credits contained allocations of funds for technical assistance: such funds totalled over $40 million in fiscal 1970. As already noted, a number of IDA credits were made during the year for project preparation work; in addition, the Bank made one technical assistance grant in fiscal 1970, and acted as Executing Agency for Technical Assistance studies financed by the United Nations Development Programme (UNDP). Many of these studies are designed for early investment follow-up; the Report notes that ten studies completed in this and earlier years had led to Bank or IDA project financing totalling $919 million as on June 30, 1970.

The Pearson Commission Report, "Partners in Development," was presented to the President of the Bank by the Commission's Chairman, Mr Lester B. Pearson, in September 1969. The Bank's Executive Directors are currently reviewing memoranda submitted to them by the President of the Bank dealing with those of the Commission's recommendations which affect the Bank group's policies and operations.

A special section of Part II of the Report is devoted to an analysis of the problems associated with urbanisation in the developing world. Acknowledging its increasing involvement in problems of urbanisation, the Bank presents in the report an outline of its preliminary thinking on this important subject.

The report shows that the Bank's gross income for fiscal 1970 was $504 million. At the same time, expenditure rose to a new record level of $291 million. A major factor in this increase was the higher level of bond and note interest and issuance charges on the year's borrowings, which amounted to $735 million. Administrative costs also rose significantly in fiscal 1970 — as

a result of higher levels of activity, which in turn entailed the hiring of new staff. The professional staff of the Bank and IDA has increased by 57% during the past two fiscal years to 1,166.

Despite additional costs, the Bank's net income reached a record level of $213 million during the year. After the close of the fiscal year, the executive directors recommended the transfer of $100 million of this total to IDA as a grant. Agreement was also reached in July 1970 on a third replenishment of IDA's resources at a level of somewhat over $800 million a year for three years, beginning late in 1971. The replenishment funds will be provided by contributions from IDA's 18 Part I (donor) countries and three Part II countries, together with a loan from one non-member country.

Solid Achievement

The Bank's activities during its latest fiscal year took place against a background of much solid achievement but a number of continuing problems in the world economic development effort. The achievements noted in the general introduction to the report include a 6.7 per cent increase in 1969 in the gross domestic product of the developing countries taken as a group, a 9 per cent. increase in 1969 in their exports further new investment in physical infrastructure and significant increases in agricultural production and advances in industrialization in a number of countries. The report also notes the increased ability of the developing countries to make productive use of new external capital, public and private, as their managerial and organizational capacities increase, and as infrastructure projects initiated in earlier years come to fruition.

Against this, according to the report, must be set the persistence of a number of constraints holding back development which have not significantly diminished during the year under review. These include problems of many countries' dependence on primary products for export earnings; of access to markets in the developed world for their exports; of domestic resources mobilization and the availability of external funds for new development projects; and of service payments on external debt in the cases of some countries. The urgent need for new and intensified efforts to deal with these and other problems is sharpened by continuing high rates of population growth in many countries, which put additional strains on already scarce resources.

Neverthless, the report affirms the Bank's confidence that the development effort has achieved notable successes and, given the right policies, can continue to do so. It says that the Bank expects its own activities to increase still further during the years to come. in co-operation with its developing member countries and with the development assistance programmes of individual developed countries and other international organizations.

'Colombo' Plan for Italy

E. B. BROOK

PUTTING ONE'S house in order is never a pleasant or easy business as the British, the French and now the Italians know very well. Usually, it is an action deferred as long as possible and often too long. This seems to have been the case with Italy whose violent civil disturbances and frequent changes of government (usually new mixtures of the same men) have advertised to the world weaknesses and instabilities damaging alike to Italy's flourishing tourist and automobile trade and to the safety of democracy.

Like several other countries in Europe today Italy has enjoyed a post-war "economic miracle" but there have been two defects in that miracle — its benefits went overwhelmingly to the rich and middle classes and to the prosperous Lombard and Tuscan north and only a little trickled through to the poor and to the south, traditionally Italy's poverty-stricken area with only brash, noisy and unscrupulous Naples as its sole bright spot. The "Messogiorno" is the area of most of Italy's development plans but, with a government so heavily overset by a complicated and built-in bureaucracy, nothing much moves except gradual land reform schemes and the building of some much-advertised factories.

Europe's Playground

Historically and geographically the north of Italy is a good deal more fortunate than the more remote south which stretches away from mainland Europe towards Africa. Floods apart, the Lombardy and Venetian plains are fortunate areas, fertile, skirting the southern Alps and joining France with the Balkans. It is the annual holiday ground for at least half the central Europeans and the home of learning, banking, commerce and a good deal of European culture in the middle ages and later. Its city squares are the world's most jewel-like and the area is blessed with a shrewd, hard-working population, thrifty and canny, with its farmers making the most of every millimetre of the soil. Since 1918 the frontier has been extended up to the Brenner Pass, incorporating and equally industrious south German and Tyrolean population (fortunately also Catholic) within the frontiers of Italy.

The Italians have extended their ability to create beauty and form from their paintings and architecture to their motor cars and remain the world's uncrowned kings of automobile design. Their own love of speed has led them to produce excellent and enduring motor engines also, a fact which has placed Fiat well within the first four of Europe's automobile manufacturers. The traditional textile industry and clothesm anufacture is no less an asset, though less advertised and, despite last year's setback, Italy remains and will remain, Europe's foremost tourist attraction.

Co-existence

It is fortunate that the Italian temperament does not apparently pay overmuch attention to governments because the Italians have three — the government in Rome, the Papacy and the Communist Party. In many places the communists and the Church get on quite well together and since, unlike in the essentially middle-class British churches, Catholic priests come mostly from worker families the social distance between clerics and laity is very much less.

This Italian background is necessary to make to clear that seeming catastrophies in economy, politics and social affairs are mostly not taken too seriously in Italy and rarely last long. The Italian may not resist misfortune so much as the northern peoples but he rebounds more quickly. The Italian ideal is to live and such matters as consistent solvency, systematic government and rapid progress do not matter much.

So that when, as was the case this year, Italy's trade deficit rose to 105 billion lire (about £80 million) in June, double the figure for May and 125 billion lire more than the year before, there was no great national outcry. An advantage of having a low denomination currency is that it enables one to speak of billions without blenching.

Since Italy's main imports are inflexible in type, devaluation of the lire would be no cure, but would only force up the price of food, raw materials and minerals. But the Italian government has been worried for some time by a threatened slowdown in international trade, exaggerated by protectionist attitudes in the USA. To boost its exports

Itâly is likely to raise its export credit fund to 1000 billion lire for next year. Recently, imports have been growing ten times as fast as exports.

Italy now has as Prime Minister an internationally-known man, Emilio Colombo, who gained fam enearly 10 years ago by drawing up an expansion and integration plan for the Common Market, of which Italy is a very active member. Colombo is from southern Italy, is a first-rate economist and, (rather rare for an Italian layman) a bachelor. He regards government as a serious, precise business and his presence at the head of affairs in Rome gives Fiat and other large Italian corporations a feeling of greater confidence than they have had for some time. Only the intricacies and jealousies of Italian politics are likely to be able to torpedo Colombo.

More Money for Italians

His first move to cure Italian ills is to discipline the citizens where they like it least — in their pockets. For long there has been overmuch capital available for private consumption and too little available for solvent social and industrial investment. As a result there has been social unrest and industrial instability. More money in the economy — drawn from higher taxes on petrol and on a wide range of luxury and near-luxury goods (some taxes have risen more than 50 per cent) — will enable an increase in industrial production and a reduction of the debts of social security agencies.

The new taxes are expected to stem the inflation that was beginning to grow more quickly in the last six months; they should give the government enough money to make some available for loans to industry, especially to the thousands of medium and small industries that have languished for some years. A healthier tone should also begin to attract back to their homeland the thousands of millions of lire that have sought refuge just over the border in Switzerland.

If the Colombo plan for Italy works, the tide of labour disorder that in the 18 months has taken the place of 18 years of industrial peace will probably begin to subside. Fiat will have to fight to get its foreign markets back, but its efficiency and style are highly attractive to Europeans.

If and when the economy recovers and prosperity returns there will be one problem peculiar to Italy that government and industry will have to tackle — the labour anarchy of the southern Italians and Sicilians of whom over half a million have migrated to the Turin area in the last decade. With them they have brought into labour relations their own factionalisms, some of them physically violent, and their distrust of the northerners, including union officials who are north Italians.

At the same time the paternalistic power of the big industrial corporations like Fiat is gradually weakening. For the wellbeing of Italian industry greater social justice and far more effective social services as a regular practice will be necessary. Whether recent communist gains in trade union leadership can be halted will depend on very much the same factors, also on the emergence of union leaders who are neither communist nor distrusted by the southerners. The "dolce far ninente" attitude that Italy's monied middle classes can afford is not shared by militant unions. Only a sustained improvement in standards and cheapening of living for Italy's workers will provide sufficient basis for a genuine recovery and growth in the country's well-being.

Resource Patterns by 2000 AD

ACADEMICIAN A. VINOGRADOV

POLITICAL FUTUREOLOGY is now very much in vogue. Not so much long-term economic forecasting. Yet, it is one of the facts of life that economics lies at the base of political changes.

Here I propose to look at the world resources pattern by the year 2000 A.D.

The cardinal global development of the next 30 years will no doubt be the doubling of the world's population. And this means that its housing and production facilities too will have to be doubled.

In the past 25 years man has learned to use rare elements. More, he has harnessed isotopes to industrial purposes. And there is little doubt that in the future not only physicists will employ pure isotopes in their researches. Other areas of science and technology are bound increasingly to follow suit.

The consumption of power promises to increase rapidly, with a parallel growth in the consumption of uranium and, most likely, of thorium, especially in the 21st century. Wider use will be made in industry of sources gamma and neutron radiation.

New strides will be taken in the technology of transforming chemical elements, and with them changes will be introduced in the earth's chemical composition. Hence knowledge of the distribution of chemical elements and isotopes on our planet will acquire ever greater economic significance.

Soaring Curves

Production of coal, oil and natural gas is literally snowballing in our times. Natural gas, the reserves of which are estimated at trillions of cubic metres, began to be extensively used only some 20 years ago. The use of gas as a chemical fuel and source of power has been one of the driving forces of present day technological progress.

This year the coal output figure will exceed 2,500 million tons. By the year 2000 it is expected to reach 4,000 million tons. By the year 2000 it is expected to reach 4,000 million tons annually, and will continue to grow for another 100-200 years, after which there most likely will be a decline. The present known coal reserves run to more than one trillion tons.

Search for New Fuels

Despite the astounding increase in the production of oil and gas, it is difficult to say when the reserves will be exhausted. At any rate not before the year 2100, although annual oil output will probably reach 5,000 million tons by the year 2000. Incidentally, the amount of power consumed in the past 20-25 years is double the sum total for all of previous human history.

As for metals, the output curve for iron, and, what is no less important, for many nonferrous and rare metals — especially aluminium, copper, manganese, titanium, and zirconium — will likewise soar. Iron extraction will probably reach the 1,000-million-ton annual figure by the year 2000; compare this with the present surveyed reserves which run to the neighbourhood of 100,000 million tons.

Alluminium plays an exceptional role in the technological revolution. By 2000 its output will probably increase nearly ten-fold, outstripping copper and eventually replacing it by and large — a natural enough prospect considering that copper accounts for only a few one-thousandths of one per cent of the earth's crust as against the roughly eight per cent accounted for by aluminium.

With the development of nuclear power stations uranium consumption is

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bound to grow. The expected increase by 2000 of the share of the nuclear power plants in the generation of electricity to some 25 per cent calls for hundreds of thousands of tons of natural uranium to fuel them.

In the US, for instance, the consumption of titanium has increased parallel with the manufacture of aircraft, and will continue to grow. Production of this metal is likely to exceed the 100,000-ton annual figure by the year 2000.

A sharp increase in demand for zirconium is also on the cards, and rare earths will play a bigger part in the overall mineral balance.

Consumption Change

The structure of mineral consumption will thus change somewhat as compared with the present. And since technological progress will increase the demand for such rare elements as indium, gallium, thallium, and germanium, the extraction of admixtures of these elements from the mass of iron ore, aluminium, molybdenum, copper and other minerals will acquire major economic urgency.

At present the separation of metals that come in combination with others is in most cases done with far from maximum efficiency. Therefore changes will have to be introduced in chemical technology as well. And the greater the range of metals available, the bigger the opportunities for substituting one for another in industrial use.

The prospect, then, is that the signal progress made in the extraction of minerals in the past two decades will be eclipsed within the next 20 or 30 years.

Although drilling will go on for a long time to come, wider use will be made of physical, chemical and mathematical methods, as well as of satellite prospecting for deposits buried deep down in the bowels of the earth. Geologists will also extensively employ "clean" nuclear charges free of radioactive fragments.

With the growing importance attaching to deep deposits, there is little doubt that already within the next few years geologists will be delving down the mineral veins lying as deep as two kilometres beneath the surface.

Geographic distribution of deposits will probably become of less importance, and requirements as regards ore concentration will be less rigid.

Some 10 per cent of all iron used is lost annually through corrosion. Hence the search for synthetic and organic substitutes, and work in this direction is bound to be intensified. Synthetic, organic and other anti-corrosion coattings have already been developed.

At the turn of the century scientists were warning about the depletion or exhaustion of oil, gold, silver and other mineral deposits. Although the surveyed reserves have increased many times over since then, they feel that the rapid growth of consumption has made the outlook today even more alarming. As for myself, I believe the known world reserves of many metals are big enough to last for many decades or even centuries at the present rate of consumption.

But reserves of fuels — oil, coal, natural gas, and combustible shale — are one thing, and those of metals and non-metallic minerals, another. The first group is constantly replenished by nature, though at a rate infinitesimally slow in comparison with the rate of depletion. Consequently, the eventual prospect is depletion and exhaustion.

The second group is not replenished in the same way; yet, strange though it may seem, it stands in no danger of disappearing. The crux of the matter is what sources are drawn upon, how they are worked, what technological methods are employed; in other words, rational conservation of resources and, above all, search for new sources and improved methods of extraction and processing.

Delving in to Depth

In the past ten years many countries have greatly increased spending on the study of the wealth contained in the ocean, with a view primarily to new food and mineral resources. Of the latter mention should be made above all of the ocean-floor iron and managanese concretions running into trillions of tons and containing many rare elements in substantial concentrations.

The drive for these reserves has prompted some to propose that the ocean floor be divided into spheres of influence. The object is obviously political rather than scientific. In my opinion nothing could be more irrational. No country appears to have the technical means for profitable industrial exploitation of the iron and manganese deposits spread over the ocean floor at a depth of five or six kilometres. To develop the technological wherewithal will take years. Consequently, there is still time to find a fair and rational basis for international exploitation of the oceanfloor which would rule out monopolistic tendencies and the dangers inevitably attending them.

Simpler is the working of the extensive oil and gas deposits discovered on the continental shelves, which account for about 25 per cent of the total area of the world's oceans and seas.

Continental Shelf

The definition of the continental shelf so far current in international usage is not too precise: the submarine plain extending at an angle of 0.1 degree to a depth of 200 metres, and perhaps deeper. Some countries are now taking advantage of the looseness of the definition to extend their territorial shelf waters farther out.

It is estimated that shelf deposits account for half of the word's surveyed oil reserves, and for about 20 per cent of its total oil output. The entire Arctic shelf is evidently rich in oil. On many shelves extraction is already in full swing— for instance, in the Gulf of Moxice, where oil is brought up from depths of up to two kilometres, in the North Seina, Alaska, and in our country in the Caspian. Shelf waters thus open up a new sphere of industrial activity.

Years ago Svante Arrhenius are people's imagination by visions of the millions of tons of gold contained in the world's oceans. Today magnesium, bromine and salt are extracted from sea water. And the range can be greatly extended. I do not exclude the possibility that in the near future many of the chemical elements found in it can be extracted from sea water. In Britain, for instance, there already is an experimental laboratory extracting uranium. It has been estimated that a kg of uranium obtained from sea water costs about $40, as compared with $20 in the case of uranium obtained from ore. To extract

Do you think Mysore will sit quiet ?

uranium from granite would cost up to $ 200 a kg.

It is a deplorable fact that so far the possible harmful consequences of the exhaustion of nature are rarely taken into account. True, there has been a good deal of talk everywhere in recent years about nature conservation, preserving the biosphere for future generations, and so on. Some UN agencies, and primarily UNESCO, have voiced the desire to tackle this problem. But it should be borne in mind that conservation of nature is a long-term process requiring forethought.

Motor Cycles: Japanese Experience

HARDEV SINGH

CONSIDERING THE growing demand for motorcycles and scooters in this country and the recent licensing of a few new units in this line, a brief account of the pattern of production of motorcycles in Japan, the largest manufacturer of the product in the world, could be of considerable interest. Japan produced in 1969 a record number of 2.58 million motorcycles showing an increase of nearly 14.5 per cent in a single year. A decade ago Japan was producing around one million motorcycles and this production doubled to two million units in 1964 and the level crossed a record figure of over 2.5 million units in 1969. Brisk domestic demand and increased exports were responsible for this sharp uptrend in production. In fact, the sphere of exports in the total production has continuously increased in recent years, so that exports accounted for nearly 50 per cent in 1969, as against 44.5 per cent in 1965.

A breakdown of the output by types of motorcycles reveals that light, small motorcycles, with the piston displacement of 50 cc accounted for a substantial portion of production up to 1961. Towards 1963 there was a change in the trend so that medium-sized motorcycles with a displacement of 51 to 125 cc revealed a steep rise in demand and became a major category in motorcycle production. In the present production (1969) small-sized motorcycles of 50 cc account for 42.4 per cent while medium-sized motorcycles of 51 to 125 cc capacity account for 44.6 per cent.

TABLE I

MOTORCYCLE PRODUCTION BY TYPES

	1968 (units)	1969 (units)	Percentage increase
Up to 50 cc	1,049,460	1,092,767	14.1
51-125 cc	972,581	1,148,068	18.0
126-250 cc	89,522	175,361	95.9
251 cc or over	132,085	160,683	21.7
Total	2,243,648	2,576,873	14.9

It may be added that models of 126 to 250 cc have a share of 6.8 per cent in the total production while big motorcycles of 251 cc and beyond account for 6.2 per cent. In other words, large motorcycles of size beyond 126 cc are not very popular with the Japanese people. Table I reveals that during 1969, the growth rate of category 126 to 250 cc and category of 251 cc and over was quite marked showing an increase of 95.9 per cent and 21.7 per cent respectively in one year but this uptrend was necessarily due to increased demand in foreign markets.

Rising Production

In Japan today there are 8.8 million motorcycles in use which means that there is one motorcycle for every 12 persons. Most popular type in domestic use is 51 to 125 cc motorcycles which accounts for 51.6 per cent of the total. The shares of 50 cc or less and 126 cc or more motorcycles are 39.6 per cent and 7.8 per cent respectively. It may be added that the basic types of motorcycles on sale in Japan, classified by piston displacement has increased from 74 in 1964 to 95 in 1969. Table II reveals that the largest increase in the number of types has been in 90 cc capacity while there was an actual decline in the 51 to 75 cc category. This shows that the trend is to use motorcycles of medium-size which have a steady performance and comparatively low consumption of petrol. The increase in types reveals a tendency to purchase models having novelty in appearance. A recent survey conducted in Japan, reveals that the age group 16 to 19 use 30 per cent of the total motorcycles in Japan. Similarly 36 per cent of the users of motorcycles are in the age group of 20 to 29. In other words as many as 66 per cent of the motorcycles in Japan are being used by individuals in the age group of 16 to 29. Young being the main buyers of motorcycles, Japanese producers have tried to improve the appearance and offer a large variety in sizes so that it is both more attractive and useful to a particular user.

TABLE II

NUMBER OF TYPE CLASSIFIED BY PISTON DISPLACEMENT

	1964	1969	Increase or decrease
50 cc	16	19	3
51-57 cc	15	9	—6
90 cc	3	20	17
125 cc	16	16	0
250 cc	19	17	—12
251 cc or more	8	14	6
Total	74	95	21

Perhaps the most significant experience of Japan in the field of motorcycles which can be of great value to this country is the manner in which the number of producers has shrunk in Japan in recent years. A few years back Japan had more than 30 motorcycle makers, both large and small. Gradually with increasing competition and increasing demand for quality products at low prices, the small manufacturers have dropped out one after another so that at present only four big manufacturers are left in this field — Honda Motors, Suzuki Motors, Yamaha Motors and Kawazaki Heavy Industries — so that cost of production is reduced to a substantial extent. These units are able to make large investments for modernisation of their plants every year and spend huge funds on research and development in order to improve quality. The union government should take a clue from the experience of the Japanese indnstry and allow substantial expansion to the existing units producing scooters and Motor cycles.

Strict Quality Controls

Although the Japanese industry is known for its dependence on ancillary units which produce more than 500 parts of these motorcycles, strict quality tests are carried out to maintain standards. Moreover, the quality of components such as electrical equipment, tyres, batteries etc., is continuously improved in close co-operation with specialised manufacturers. Severe tests are also conducted for engines in laboratories where the same temperature and humidity as in the tropical or other zones (according to destination) are created. Moreover, after the assembly, motorcycles are put to rigorous running tests in rain, snow and other weather conditions in an effort to improve their performance. Of late electronic computers have been introduced to control the assembly line and maintain a check on quality.

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Trade Winds

RULERS DE-RECOGNISED

MR Y.B. Chavan, union Finance Minister, made the following statement in Rajya Sabha on September 7, 1970: "The President has under the Constitution the unquestioned power to de-recognise the Rulers. During the debate in Parliament, it was even urged by some members that government should have resorted to this power instead of bringing the Constitution Amendment Bill. While government would have preferred that the exercise of Presidential powers to de-recognise the Rulers should await the adoption of the Constitution Amendment Bill, it is regretted that this has not been found possible through lack of a fraction of a vote in the Rajya Sabha. However, government is fortified in the belief that there is widespread support in the country for putting an end to an out-moded and antiquated system which permitted the enjoyment of privileges and privy purses by a small section of our people without any corresponding social obligation on their part. In the Lok Sabha the Constitution Amendment Bill commanded the support of 332 members as against 154. In the Rajya Sabha the motion for the Bill being taken into consideration received 149 votes in its support as against 75. During the course of the debate in Parliament, even many of those who opposed the Constitution Amendment Bill expressed themselves in favour of the abolition of privileges and privy purses. As it has been government's declared policy to abolish these privileges and privy purses and also to put an end to the very concept of rulership, government felt they would be justified in de-recognising the Rulers and thus putting an end to a period of political and other uncertainties so undesirable in a matter of this nature. Accordingly, President has decided to de-recognise all the Rulers and thereby terminate their privy purses and privileges with immediate effect. Orders have been issued in pursuance of the decision. Government would like to honour their declared policy expressed in the Presidential Address of making transitional arrangements to enable the erstwhile Rulers to make the necessary adjustment to the changed circumstances."

FERTILIZERS FROM JAPAN

A contract was signed recently for the purchase of 74,626 metric tons of urea valued at $5 million from Japan against the ninth yen credit. The contract was signed by Mr K. Ram, Secretary, union Ministry of Supply on behalf of the union government and by Mr J. Adachi on behalf of the Japan Urea and Ammonium Sulphate Export Company. The CIP price will be $67 per metric ton which is the lowest price obtained this year for purchases under tied credits. The supplies will be spread over October to December this year.

INDIAN PAVILION AT VIENNA FAIR

Nearly forty thousand people visited the Indian pavilion at the Vienna International Trade Fair on the inaugural day. The fair, which was inaugurated on September 6, continued till September 13. The Indian pavilion received trade enquiries on engineering goods, electronic equipment, silk handicrafts from various firms and traders.

EXHIBITIONS AND FAIRS

India participates in a large number of exhibitions and fairs as the Directorate of Exhibitions in the Ministry of Commerce has progressively expanded this activity over the past decade. It also organises, from time to time exclusively Indian exhibitions in selected markets. Besides, a number of showrooms and trade centres have been set up in important regions for promotion of India's exports. The need for expanding the scope of these activities and making them commercially more fruitful has acquired new urgency under the country's export drive. Beginning with the fourth quarter of the year the programme of the country's participations in international trade fairs up to March 1971, which are to be organised by the Indian Council of Trade Fairs and Exhibitions is as under:

Fairs	Date
Damascus International Fair, Damascus (Syria)	August 25 to September 20, 1970
Zagreb International Autumn Fair, Zagreb (Yugoslavia)	September 10-20, 1970
Texas State Fair, Dallas (USA)	October 10-25, 1970
Bucharest International Fair, Bucharest (Rumania)	October 13-24, 1970
Ghana International Trade Fair, Accra (Ghana)	February 1-14, 1971
Frankfurt International Spring Fair, Frankfurt (W Germany)	February 28-March 4, 1971.
Daily Mail Ideal Home Exhibitions London (UK)	March 1971

COTTON IMPORT

A co-operative consortium of all cotton importers will be set up soon according to a decision of importers at an informal meeting in Bombay held on September 8. While the consortium members will be free to import cotton on behalf of the mills or the cotton Corporation of India, all cotton imported by them will be directed through the consortium *vis-a-vis* CCI to the mill buyers. No individual or firm of importers will, therefore, be free to carry on in any form, directly or indirectly, any discussion or negotiation with CCI or with any of its associates, unless expressly allowed to do so by the consortium or the All India Cotton Federation. All the 64 cotton importers, present at the meeting were said to have signed a pledge to this effect, and reaffirmed the total unity of the trade.

EXPORT OF PROCESSED FOODS

Export of Processed Foods at Rs 11.53 crores during 1969-70 as against Rs 9.67 crores during 1968-69 showed an increase of 22 per cent. Fruit juices, particularly mango juice, instant tea and instant coffee, guar gum and non-alcoholic beverage bases have recorded impresssive rise in exports. Exports of canned and bottled fruits and vegetables at Rs 194.51 lakhs against last year's figure of Rs 102.65 lakhs showed an increase of 90 per cent. Exports of instant tea at Rs 54 lakhs also have almost doubled since last year, the main markets being the USA and the UK, while the exports of instant coffee have shown a marginal increase of Rs 8 lakhs over the previous year. The USSR and Yugoslavia are the main markets for this item. The increase in the exports of guar gum over the previous year is also more than 100 per cent.

COMMISSION ON AGRICULTURE

A high-level National Commission is being set up under the Chairmanship of Mr C. Subramaniam to enquire into the progress, problems and potential of Indian agriculture. Besides the chair-

man, the commission will comprise five full-time members and ten part-time members. Mr J.S. Sarma, Economic and Statistical Adviser in the Ministry of Food and Agriculture has been appointed its whole-time Member-Secretary, The names of the other 15 members are to be announced later. The commission will be required to make a comprehensive assessment of the current progress of Indian agriculture and examine the possibilities of its improvement and modernisation. Its investigations on land and water development will include the scope for the expansion of crops for balanced and nutritious foods, for industrial uses and for export with special reference to horticulture. Under this head, it will consider problems of soil and moisture conservation particularly in the catchment areas of major irrigation projects, water management and groundwater exploitation, and programmes for land reclamation. It will also consider the scope for mechanisation of agriculture and greater spread of the new strategy of agriculture, as well as the availability of agricultural credit from government and institutional sources.

O.N.G.C. IN 1968-69

The annual report of the Oil and Natural Gas Commission for the year 1968-69 along with the review for 1968-69 was released recently. During the year, the government investment in the commission increased by Rs 22.01 crores (Rs 3.76 crores of capital and Rs 18.25 crores of loans) bringing the total investment to Rs 181.07 crores (Rs 123.29 crores of capital and Rs 57.78 crores of loan). After including the reserves and surpluses, long-term loans, and adjusting suspense heads, the total capital employed as on March 31, 1969, was Rs 226.29 crores as against Rs 192.33 crores at the end of the previous year. Excluding the investments in the subsidiary company, viz., Hydrocarbons India (Private) Ltd, and the capital works in progress, the average capital employed during the year was Rs 182.19 crores, on which the profit, before charging the interest on loans, worked out to Rs 14.51 crores. The Kalol, Navagam and Rudrasagar fields which are fast coming up, have added to the capital employed and improvement in the profitability of the Commission may be anticipated only after these fields have been put into commercial production.

WEST COAST ROAD PROJECT

Mr K. Raghu Ramaiah, Minister for Parliamentary Affairs, Shipping and Transport is understood to have informed the Consultative Committee of the Members of Parliament for Ministry of Shipping and Transport recently that his ministry has included the West Coast Road in the list of National Highway Projets referred to the Planning Commission and is awaiting financial sanction. The West Coast Road starts from Panvel in Maharashtra and ends at Challesseri in Kerala and from there the road in question forms part of National Highway No 47-A which goes up to Kanyakumari. The West Coast Road is an important road financed under the central aid programme for state roads of economic and inter-state importance.

The committee, which discussed mainly the road development programme, was also informed about the progress of various bridge projects. Mr K. Raghu Ramaiah is understood to have told that the construction of the bridge across Panchaganga near Kolapur (Maharashtra state) has been sanctioned and tenders are being invited by the state PWD. The 2200 feet-long Doharighat bridge over river Ghagra in UP, costing about Rs 163 lakhs, will be completed before next monsoon.

RISING COSTS OF TYRES

Recently there has been a move for an upward revision of natural rubber prices. The floor price of natural rubber was raised from Rs 3230 per ton to Rs 4150 per ton in October 1967. As a result of higher offtake of natural rubber recently by the tyre industry, the prices of natural rubber, which had fallen down, has picked up by about Rs 500 per ton and it is stated to be around Rs 4800 to Rs 5000 per ton at present. The international price of natural rubber (tyre grade) is only Rs 2800 per ton fob Singapore. This is likely to come down further in the near future in view of the recent announcement in Malaysia about the immediate possibilities of almost doubling the natural rubber yield. This will reduce the international prices of natural rubber still further. Indian rubber planters and growers would do well in applying new techniques at least to the old and low yielding rubber trees to improve on the present low productivity.. Since the last tyre price adjustment, there has been an overall increase in the cost of tyre production in India because of the abnormal increase in labour cost and upward revision of the prices of several other materials. If the raw rubber price increases steeply the tyre manufacturers will naturally need a corresponding increase in the price of tyres to meet the higher cost of production.

SUPPLY OF COINS TO GREECE

The State Trading Corporation has secured an order from Greece for bulk supply of coins worth Rs 33 lakhs. This is the second order STC has secured from Thailand in June last for supply of coin blanks worth Rs 1.20 crores. The coins for Greece will be minted by the Government of India, Bombay. The STC hopes to complete the supplies by the end of March 1971.

TRUNK DIAL : DELHI-AMRITSAR

Subscriber trunk dialling service (STD) between Delhi and Amritsar was inaugurated on September 11.

BAN ON EXPORT OF TIGER SKINS

The export of tiger skins, leopard skins and panther skins and their products, even as personal baggage by outgoing passengers including tourists, has been banned with immedidate effect. This step has been taken in furtherance of the government's policy in regard to the preservation of wild life in the country. Following reports of indiscriminate killings of these animals in the country, the government had banned in June 1968 commercial exports of skins of these animals. The tourists were, however, being permitted, subject to certain conditions, to take out of India, as part of their baggage, the skins of tigers, leopards and panthers shot by them during their stay in this country. With the instructions now issued, the ban would be total and the special concession for visiting tourists cancelled.

NAMES IN THE NEWS

Mr Narinder Singh Pujji has been appointed BOAC's new District Sales Manager for central India. He will be based in Bombay and his territory will include Maharashtra, Madhya Pradesh, Gujarat and Goa.

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Company Affairs

CENTRAL INDIA MACHINERY

CENTRAL INDIA Machinery Manufacturing Co. Ltd, has earned a net profit of Rs 9.83 lakhs after providing Rs 1.53 lakhs for development rebate reserve. After bringing in the loss of Rs 18.25 lakhs from the previous year and after making some adjustments, a debit balance of Rs 7.77 lakhs has been carried forward. Sales have come down to Rs 7.45 crores from Rs 10.74 crores. Arrears of depreciation amount to Rs 76.99 lakhs. The directors have proposed to pay the preference dividend which will absorb Rs 6.41 lakhs and will be paid from dividend reserve. The directors state that the working of the textile division at Gwalior has improved further. The working of the winding, warping machines and calender bowls divisions have been satisfactory. To meet the increasing demand the production of the winding machines has been increased, production of the prototype warping machines is expected to commence in the current year. The working of the steel foundry division continues to be unsatisfactory due to very low prices of cast steel items. The working of the wagon division has been affected by irregular and insufficient supplies of wheel sets from the railways and low prices at which wagon orders were placed. The company is making efforts to enter the export market.

ESCORTS

Escorts Tractor Ltd, a subsidiary company of Escorts, came into existence under an agreement signed between Escorts and Ford Motor Company of the USA. The company has been floated with an authorised capital of 2½ crores, out of which Ford Company is contributing 40 per cent and Escorts, 60 per cent. Total expenditure estimated for the project is about Rs 9 crores. A part of the cost would be met by loans being raised by ETL from various financial institutions. The production of the Ford tractor is expected to begin in January, 1971 and is phased over three years. In the first year of the production these tractors will have 50 per cent imported and 50 per cent indigenous contents. In the second and third year, they will have, through progressive import substitution, indigenous content of 75 per cent and 90 per cent respectively. A 43 acre-area of land has been acquired near the existing Escorts plants for this venture which, when completed, will deliver 6,000 Ford tractors, developing about 50 HP annually. Escorts tractors Ltd will market Ford tractors through the network of distributors established all over India by Escorts Ltd.

BALARPUR PAPER

The board of directors of the Balarpur Paper and Straw Board Mills Ltd have decided to issue bonus shares in the ratio of one equity share for every two held by the shareholders, subject to the approval of the Controller of Capital issues. With this issue, the paid-up capital of the company will go up from Rs 5.57 crores to Rs 7.62 crores. And the reserve and surplus fund, after capitalisation of Rs 2.05 crores, would still stand at the high figure of Rs 5.30 crores. The bonus shares shall rank *pari passu* in all respects with the existing ordinary shares of the company except that they shall not participate in the dividend for the year ended June 30, 1970. The bonus shares will be given to the shareholders on a date to be fixed hereafter by the board of directors and for which intimation will be given in due course.

TITAGHUR PAPER

There was an increase in sales to Rs 16.16 crores from Rs 14.76 crores in respect of the Titaghur Paper Mills Co. Ltd during the year ended March 1970. The profit, after depreciation, is shown higher at Rs 21.45 lakhs as against Rs 16.65 lakhs for the previous year. The profit would have been still higher, but for a slight decline in the total production to 68,261 tonnes from 69,166 tonnes due to labour unrest. There was also an all-round increase in the prices of raw materials, chemicals, coal and other imported and indigenous items. In respect of allocations, depreciation is lowered to Rs 52.44 lakhs from Rs 56.83 lakhs. After withdrawing Rs 6.26 lakhs from development rebate reserve (statutory) a sum of Rs 14.56 lakhs is transferred to general reserve, while no provision is made for debenture sinking fund against Rs 16.55 lakhs previously, while the dividend on the preferred ordinary shares is maintained at 13 per cent. The directors have also proposed an interim dividend of 30 paise per share on the "A" and "B" ordinary shares for the current year, payable on or after October 30. Regarding future plans, the directors state that considerable progress has been made in respect of phase I of the expansion and modernisation scheme relating to both Nos 1 and 2 mills in West Bengal. Despite the difficult labour situation, it is the intention of the company to go ahead with the balancing of the pulp mills and also synchronisation with the crash programme, which is being planned as per government's request.

HUKUMCHAND JUTE

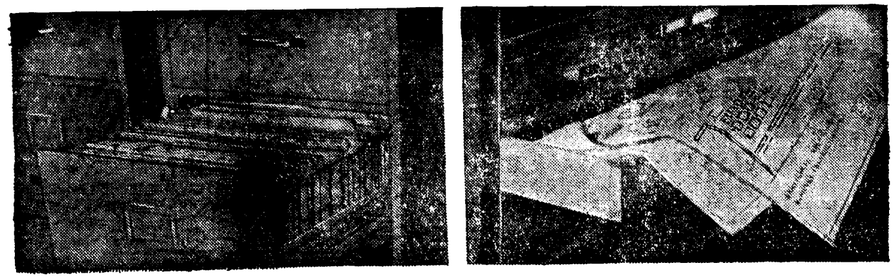
As a result of a rise in gunny sales to Rs 11.01 crores from Rs 9.40 crores, the Hukumchand Jute Mills Ltd has recorded a profit of Rs 3.98 lakhs for the year ended March 1970 as against a loss of Rs 2.65 lakhs incurred in the preceding year. No provision is made for depreciation. After certain adjustments, the debit balance of Rs 26.80 lakhs brought forward from the previous year, is reduced to Rs 23.21 lakhs which is carried forward to next year. The directors expect better working results during the current year.

STAR PAPER

The Star Paper Mills Ltd has shown a rise in sales during the 18 months ended March 1970, at Rs 9.11 crores against Rs 4.87 crores for the previous year. The net profit, after depreciation and development rebate reserve, amounts to Rs 13.14 lakhs against a loss of Rs 30,248 incurred in the preceding year. In respect of allocations, depreciation is raised to Rs 69.37 lakhs from Rs 42.58 lakhs, while a sum of Rs 24 lakhs is provided for development rebate reserve. After writing back Rs 19,401 against interest pertaining to previous year, a sum of Rs 14.22 lakhs is transferred to general reserve. The directors have proposed to pay arrears of dividends on all classes of preference shares up to year ended September 1969 out of general reserve. The directors are thinking of increasing production capacity by adding certain balancing equipment under a "crash programme" initiated by the government.

MUKAND IRON

Mr Kamalnayan Bajaj, Chairman of Mukand Iron and Steel Works Ltd. has pointed out in his annual statement to the shareholders that the supply position in respect of billets has been deteriorating steadily for the past year and a half. As back as December 1968, the government had promised to supply 75,000 tonnes of billets per month against the billet rerollers' installed capacity of 230,000 tonnes per month on a two-shift basis. But the actual despatches were always lower and have dropped further. In the last four months the average monthly supply has fallen to 30,000 tonnes



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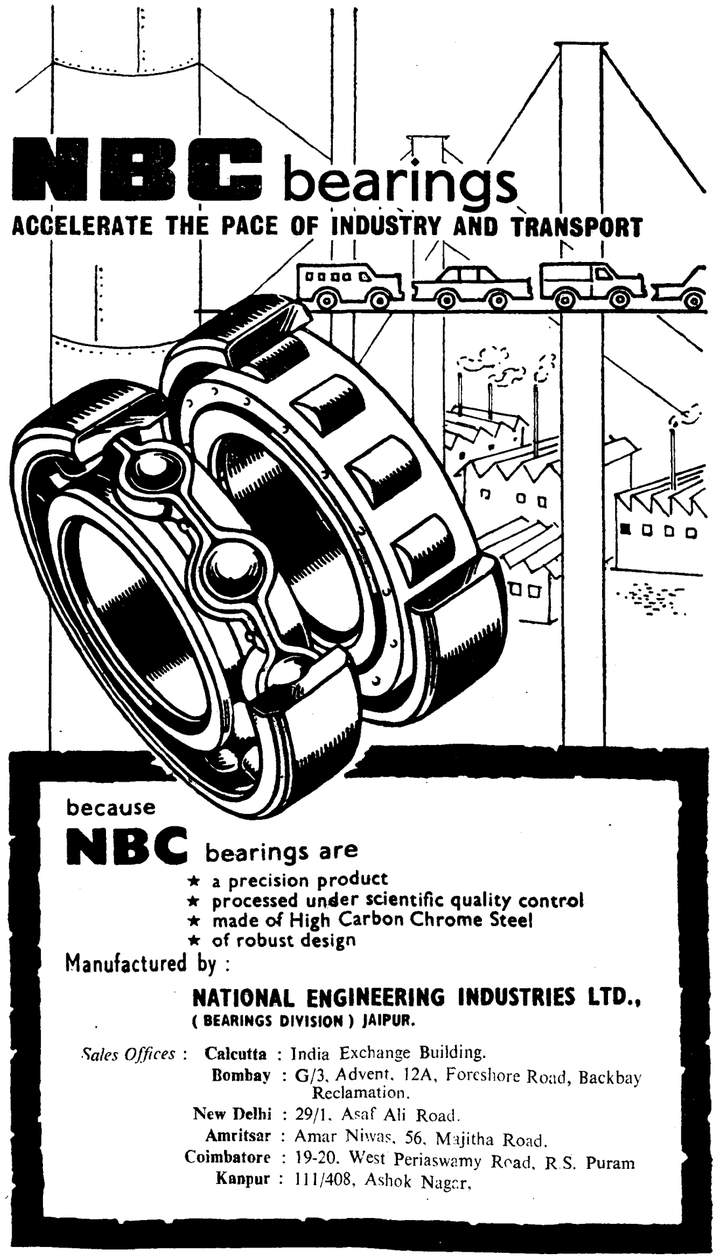

which is inadequate even for one shift working. The government had stated in the past that with the expansion of the Bhilai steel works during the fourth Plan period the capacity for billet production would increase by 560,000 tonnes per year, but this expansion has now been postponed to the fifth Plan. The position of the rerollers is, therefore, not likely to improve in the near future. The company's report for 1969-70 states that its production of bars and rods fell to 108,392 tonnes from 120,636 tonnes for the previous year following a drop in the billet supply to 71,242 tonnes from 90,280 tonnes. The position has worsened in the current year.

EXCELSIOR PLANT

Excelsior Plants Corporation Ltd entered the capital market on September 17 with a public issue of Rs 25 lakhs comprising Rs 18 lakhs in equity shares of Rs 10 each and Rs 7 lakhs in (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The subscription list will close on September 28 or earlier but not before September 19. The entire public issue is underwritten. The company has an authorised capital of Rs 1 crore and a paid-up capital of Rs 4.61 lakhs. It proposes to undertake the manufacture of all machinery and plants for the production of red clay bricks and tiles, refractories and other allied ceramics, including the machinery for the extraction of clay and other allied materials. It is a project undertaken in technical collaboration with Messrs Uzni-export, Bucharest, Rumania, who will supply the machinery on deferred credit. The plant will be located at Faridabad, Haryana, about 14 miles from Delhi. The plant is expected to go into production by August 1971.

TWA

Preliminary operating revenues for Trans World Airlines Inc. for the month of July totalled $121.6 million, showing a rise of 11.2 per cent from July 1969, revenues of $109.3 million. Preliminary operating expenses for the month, including 1.1 million in mutual aid payments, were $111.4 million an increase of 12.8 per cent over July 1969 expenses of $98.8 million. Revenue for January to July were $653.4 million, nearly 6.9 per cent above total revenues of $611.0 million for the same period in 1969. Operating expenses for the seven months up to July increased by 14.6 per cent to $701.4 million from $ 611.9 million in the 1969 period. Net loss for the Airlines for the period totalled $42.6 million compared to a loss of $651,000 for the first seven months of 1969.

H.M.T.

Over a dozen machines from Hindustan Machine Tools Ltd were displayed at the Hanover Fair held from September 6 to 15. While eleven of the 'Hindustan' machines were displayed in the pavilion put up by the Hindustan Machine Tools, three of its products, — a radial drill, horizontal broaching machine and drum turret were displayed in the pavilions of HMT's collaborators, Messrs Hermann Kolb, Messrs Oswalt Forst and Messrs Gildemeister, respectively. Among the machines displayed in the HMT pavilion are the hydraulic mini-chucker with AEG numerical control — AEG Numeric 132; hydraulic cylindrical grinder with auto work sizing equipment; tool grinding and lapping machine; multi spindle drill; horizontal broaching and fine boring machine; all-electric milling machine with numerical control, straight cut and tape programme; and preselection centre lathe with single axis hydro-copying equipment etc. These machines are completely designed and built by HMT engineers. It may be recalled that development of these highly sophisticated machines has been possible as a result of HMT taking positive steps for diversifying its production lines. These steps have enabled Hindustan Machine Tools to make an effective impact on the export market particularly in Europe, the UK and the USA.

CURRENCY EXCHANGE TABLES

The decimalisation of the UK currency will come into effect from February 15, 1971. The publishers of the multi-currency exchange tables, Messrs H.P. J. Kapoor, Pratap Street, Delhi-6 have already made arrangements for the printing of new exchange tables which will be given free as a supplement to the buyers of their present volume. The multi currency exchange tables has the distinction of covering conversion tables from Japanese yen and Italian lire to Indian rupees and vice versa, and in that respect it has fulfilled the long felt need. The present volume contains nearly all the currencies of the world such as, £ sterling, US dollars, Australian dollars, New-Zealand dollars, Russian roubles, Canadian dollars, Deutsche marks, Dutch guilders, Swiss francs, French francs, Belgian francs, Swedish kroners, Norwegian kroners and Danish kroners.

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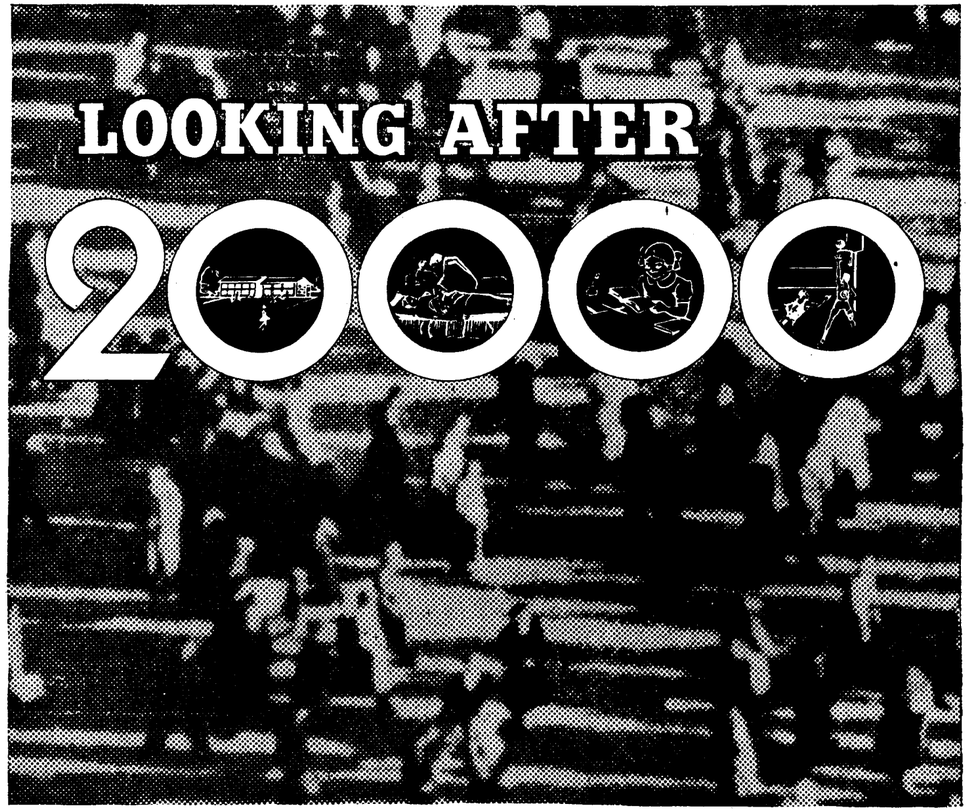

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RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962=100) witnessed a rise of 1.1 per cent to 180.8 during June, 1970, when compared to 178.8 for May 1970. In June 1970 the index was higher by 5.2 per cent when compared to June 1969.

The rise in the All Commodities index was shared by an advance in the indices of "Food Articles' by 1.2 per cent to 205.5 as against 203.0 for the earlier month, "Industrial Raw Materials' by 3.1 per cent to 201.2, 'Machinery & Transport Fquipment' by 0.1 per cent to 144.1 as against 144.0 for the previous month and 'Manufactures' by 0.7 per cent to 151.4. However, the indices for 'Liquor & Tobacco' and 'Fuel, Power, Light & Lubricants' groups recorded a fall of 0.9 and 0.2 per cent to 185.0 and 159.8 respectively. The index for 'Chemicals' group remained unchanged at its previous month's level of 184.5 during the month under review.

Food Articles

The sub-group indices for 'Cereals' and 'Pulses' advanced by 1.5 and 3.6 per cent to 206.8 and 244.6 respectively during June 1970 due to an overall rise in prices of cereals and pulses. This was responsible for pushing up the index for 'Foodgrains' by 2.0 per cent to 213.7 as against 209.6 for the earlier month. At this level the index for 'Foodgrains' was higher by 2.2 per cent when compared to that of a year ago. Lower prices of bananas and oranges brought down the sub-group index for 'Fruits & Vegetables' by 6.0 per cent to 215.9 The prices of potatoes, onions and cashewnuts, however, moved up.

Due to a fall in the prices of milk the index for 'Milk & Milk Products' declined by 4.0 per cent to 209.2. The prices of ghee and butter, however, recorded a rise. Higher prices of all the edible oils pushed up the index for this sub-group by 2.8 per cent to 237.0. The sub-group index for 'Fish, eggs & Meat' registered a rise of 9.6 per cent to 212.5 due to an increase in the prices of all the items under this sub-group. The prices of gur and khandsari advanced while sugar and confectionery remained stationary. The net effect was that the index for 'Sugar & Allied Products' sub-group went up by 3.0 per cent to 158.4.

A rise of 3.2 per cent to 194.2 in the sub-group index for 'Other Food Articles' was attributable to higher prices of black pepper, chillies, cloves, coffee, betelnuts and salt. The prices of turmeric and cardamoms, however, moved down during June, 1970.

Liquor & Tobacco

The index for this group declined by 0.9 per cent to 185.0 due to lower prices of tobacco raw.

Fuel, Power, Light & Lubricants

The index for this group receded by 0.2 per cent to 159.8 on account of a fall in the prices of kerosene oil and diesel oil. The price of castor oil, however, went up during the month under review.

Industrial Raw Materials

Higher prices of cotton raw, jute raw & mesta, wool raw and coir fibre

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pushed up the index for 'Fibres' sub-group by 2.4 per cent to 173.8. However, the prices of hemp raw and silk raw depicted a fall. Prices of all the oil-seeds moved up, consequently the index for this sub group advanced by 4.5 per cent to 243.1. The sub-group index for 'Minerals' remained unchanged at its previous month's level of 141.1.

Among 'Other Industrial Raw Materials' the prices of hides raw, tanning materials and lac increased while those of skins raw, rubber and logs & timber receded; on the whole the index for this sub-group moved up by 0.3 per cent to 165.1.

Chemicals

The index for this group stood unchanged at its earlier month's level of 184.5.

Machinery & Transport Equipment

The index for 'Machinery & Transport Equipment' stood at 144.1 as against 144.0 for the earlier month. The prices of beltings and cycles moved up during the period under review.

Intermediate Products

The index rose by 0.5 per cent to 175.3 owing to an increase in the prices of cotton yarn, coir yarn, zinc, lead and linseed oil. The prices of tin, however, depicted a fall.

Finished Products

Higher prices of cotton manufactures (+0.1 per cent to 139.4), jute manufactures (+2.4 per cent to 164.7) and woollen manufactures (+0.7 per cent to 182.0) raised the index for 'Textiles' sub-group by 0.6 per cent to 144.3. The prices of silk & rayon manufactures, however, moved down by 0.5 per cent to 117.0. The index for 'Metal Products' moved up by 1.4 per cent to 161.6 due to a rise in all the items in this sub-group.

The index for 'Non-Metallic Products' stood at 138.3 as against 138.5 for the previous month. 'Chemical Pro-Products' rose by 1.5 per cent to 143.5 due to an increase in the price of drugs medicines, paints and varnishes, dyeing materials and toilet requisites. The prices of essential oils and insecticides, however, declined. The sub-group index for 'Rubber Products' declined by 1.3 per cent to 155.4 due to a fall in the prices of other rubber products. The index for 'Oilcakes' registered a rise of 0.6 per cent to 207.0. The 'Miscellaneous products' sub-group also rose by 0.6 per cent to 120.4 due to higher prices of plastic materials, lamps and lanterns and plywood tea chests. The sub-group indices for 'Leather Products' and 'Paper Products' remained unchanged at their previous month's level of 92.1 and 121.3 respectively. On the whole, the index for 'Finished Products' moved up by 0.8 per cent to 145.6 during the month under review.

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

(Base: 1961-62=100)

Group and Sub-Group	Monthly average			increase (+) or decrease (—) in June 1970 as compared to	
	June 1970	May 1970	June 1969	May 1970	June 1969
Food Articles	205.5	203.0	198.6	+1.2	+3.5
(*a*) Food grains	213.7	209.6	209.0	+2.0	+2.2
(*i*) Cereals	206.8	203.7	202.0	+1.5	+2.4
(*ii*) Pulses	244.6	236.2	240.7	+3.6	+1.6
(*b*) Fruits & Vegetables	215.9	229.0	200.0	—6.0	+8.0
(*c*) Milk & Milk Products	209.2	218.0	208.2	—4.0	+0.5
(*d*) Edible Oils	237.0	230.6	205.3	+2.8	+15.4
(*e*) Fish, Eggs & Meat	212.5	193.8	197.1	+9.6	+7.8
(*f*) Sugar & Allied Products	158.4	153.8	184.1	+3.0	—14.0
(*g*) Others	194.2	188.1	162.1	+3.2	+19.8
Liquor & Tobacco	**185.0**	**186.5**	**200.4**	**—0.9**	—7.7
Fuel, Power, Light & Lubricants	**159.8**	**160.2**	**153.4**	**—0.2**	**+4.2**
Industrial Raw Materials	**201.2**	**195.2**	**182.9**	**+3.1**	**+10.0**
(*a*) Fibres	173.8	169.7	159.8	+2.4	—8.7
(*b*) Oilseeds	243.1	232.7	211.6	+4.5	+14.9
(*c*) Minerals	141.1	141.1	144.5	..	—2.4
(*d*) Others	165.1	164.6	165.0	+0.3	+0.1
Chemicals	**184.5**	**184.5**	**178.7**	..	**+3.2**
Machinery & Transport Equipment	144.1	144.0	133.7	+0.1	+7.8
(*a*) Electrical Machinery	141.2	141.1	133.7	+0.1	+5.6
(*b*) Non-Electrical Machinery	149.9	149.8	134.9	+0.1	+11.1
(*c*) Transport Equipment	136.1	136.1	131.5	..	+3.5
Manufactures	**151.4**	**150.4**	**141.2**	**+0.7**	**+7.2**
Intermediate Products	**175.3**	**174.4**	**155.5**	**+0.5**	**+12.7**
Finished Products	**145.6**	**144.5**	**137.9**	**+0.8**	**+5.6**
(*a*) Textiles	144.3	143.4	135.5	+0.6	+6.5
(*i*) Cotton Mfrs.	139.4	139.2	131.1	+0.1	+6.3
(*ii*) Jute Mfrs.	164.7	160.9	151.5	+2.4	+8.7
(*iii*) Silk & Rayon Mfrs.	117.0	117.6	116.2	—0.5	+0.7
(*iv*) Woollen Mfrs.	182.0	180.7	168.9	+0.7	+7.8
(*v*) Coir mats & matting	165.8	165.8	164.9	..	+0.5
(*b*) Metal Products	161.6	159.4	149.3	+1.4	+8.2
(*c*) Non-Metallic Products	138.3	138.5	132.9	—0.1	+4.1
(*d*) Chemical Products	143.5	141.4	135.7	+1.5	+5.7
(*e*) Leather Products (Shoe)	92.1	92.1	96.9	..	—5.0
(*f*) Rubber Products	155.4	157.5	156.5	—1.3	+0.7
(*g*) Paper products	121.3	121.3	120.4	..	+0.7
(*h*) Oil cakes	207.0	205.7	193.0	+0.6	+7.3
(*i*) Misc. Products	120.4	119.7	119.9	+0.6	+0.4
All Commodities	**180.8**	**178.8**	**171.8**	**+1.1**	**+5.2**

Source: Economic Adviser to the Govt. of India.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1960=100)

	1969	1969			1970		
		Oct.	Nov.	Dec.	Jan.	Feb.	March
General Index							
Seasonally adjusted	172.5	179.1	172.8	177.6	181.5	179.2	172.4
Crude	172.5	172.4	172.4	187.6	186.6	175.7	179.8
Mining and quarrying	147.4	145.1	145.5	157.9	161.3	154.4	156.9
Manufacturing	167.2	166.5	165.6	182.0	180.2	169.6	174.2
Food manufacturing industries	137.0	133.6	134.9	158.1	164.1	155.6	163.4
Sugar (refined)	149.1	20.1	124.1	294.3	337.7	314.3	340.6
Vanaspati	142.7	124.6	149.2	177.9	141.4	157.8	123.4
Tea	108.1	188.3	124.7	46.9	26.1	22.9	37.4
Coffee curing	137.5	25.1	50.8	35.2	169.6	221.2	273.3
Cigarette manufacturing	161.4	153.6	158.8	168.5	182.5	166.8	154.9
Manufacture of textiles	109.5	113.9	104.1	118.0	116.4	107.9	109.5
Cotton textiles	111.7	118.2	104.7	118.6	118.5	109.4*	110.7*
Cotton spinning	127.8	147.7	119.5	135.8	134.1	124.5*	126.1*
Weaving of cotton textiles	91.5	81.2	86.1	97.1	98.9	90.5*	91.3*
Woollen textiles	154.2	162.1	156.4	165.1	146.2	N.A.	N.A.
Jute textiles	77.8	81.0	88.3	96.0	95.0	85.6	87.4
Paper and paper products	201.4	197.5	209.2	210.6	219.5	211.6	220.5
Manufacture of paper	200.2	196.1	208.3	207.4	219.2	218.9	228.7
Manufacture of paperboard	219.8	216.9	226.6	242.0	235.8	180.6	187.8*
Rubber products	215.5	177.2	211.4	220.5	206.3	203.0	212.7
Tyres and tubes	255.0	199.5	250.4	257.8	241.9	242.7	262.8
Chemical and chemical products	217.6	229.1	228.8	241.6	261.77	239.9	231.5
Basic industrial chemicals (including fertilisers)	297.0	313.2	325.0	353.2	334.8	338.0	324.1
Heavy organic chemicals	277.1	276.3	323.5	280.5	311.7	334.3	286.6
Heavy inorganic chemicals	308.0	315.1	326.6	354.0	361.9	316.8	330.2
Synthetic resins and plastics	174.8	159.7	177.8	188.9	118.8	123.5	172.3
Synthetic fibres	223.1	238.4	250.2	262.8	258.5	228.4	254.6
Dyestuffs and dyes	198.4	206.2	165.9	221.2	193.1	192.3	214.0
Fertilisers	548.2	596.7	670.0	706.1	636.4	763.0	607.7
Paints, varnishes and lacquers	111.3	112.8	111.1	110.5	108.6	107.8	104.3
Fine pharmaceutical chemicals	156.7	156.8	156.5	156.8	156.8	156.5	156.6
Petroleum refinery products	280.8	263.2	266.2	307.7	300.9	291.6	315.3
Non-metallic mineral products	175.2	187.0	187.6	200.4	183.8	181.5	192.7
Cement	173.7	187.1	186.4	196.3	173.4	166.3	191.8
Basic metal industries	209.7	211.8	207.7	223.4	209.4	201.8	223.2
Iron and steel basic industries	201.2	204.6	197.9	209.1	192.2	189.0	210.7
Non-feerous basic metal industries	256.0	251.1	260.8	301.2	302.5	271.4	290.9
Aluminium manufacturing	424.0	414.0	435.4	509.7	516.5	451.0	481.0
Metal products	205.1	200.9	209.1	222.5	233.9	204.8	201.4
Machinery (except electrical)	349.1	323.5	340.9	387.0	339.5	293.0	312.7
Industrial machinery	130.6	125.9	106.3	118.8	127.9	90.9	106.2
Electrical machinery	322.4	328.4	322.5	391.2	351.7	347.1	330.1
Communication equipment	646.8	678.9	642.2	832.8	615.0	617.9	577.5
Motor vehicles	145.2	121.2	116.9	126.8	162.2	161.5	180.6
Motor cycle and scooters	498.0	247.3	525.4	531.3	667.8	622.4	642.9
Bicycles and tricycles	188.9	187.7	179.5	207.6	185.0	208.4	178.3
Electricity	301.1	216.5	310.5	329.6	335.1	309.6	N.A.

*Estimated

Source : Central Statistical Organisation

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RESERVE BANK OF INDIA (Rs in lakhs)

Friday	1969			1970		
	August 22	July 24	July 31	August 7	August 14	August 21
Issue Department						
Notes held in banking department	40,59	19,94	17,20	60,14	44,98	20,22
Notes in circulation	3,498,33	3,934,99	3,904,93	3,899,36	3,915,63	3,883,17
Total notes issued	3,538,92	3,954,93	3,922,13	3,959,49	3,960,60	3,903,39
Gold coin and bullion	182,53	182,53	182,53	182,53	182,53	182,53
Foreign securities	200,89	386,42	366,42	356,42	356,42	356,42
Rupee coin	72,75	58,43	60,63	57,98	59,09	61,87
Government of India rupee securities	3,082,76	3,327,55	3,312,55	3,362,56	3,362,56	3,302,57
Banking Department						
Deposits of central government	51,02	61,53	115,86	87,05	63,75	100,65
Deposits of state governments	10,22	10,95	12,42	7,50	5,46	5,41
Deposits of scheduled commercial banks	197,36	193,08	174,50	181,40	200,71	193,19
Deposits of scheduled state co-operative banks	11,09	9,00	9,94	8,93	7,49	9,07
Deposits of non-scheduled state co-operative banks	58	77	78	78	71	71
Deposits of other banks	30	19	22	29	22	41
Other deposits	232,00	160,82	159,35	156,29	155,50	100,61
Other liabilities*	478,88	520,29	499,41	543,77	539,95	518,82
Total liabilities or assets	981,45	956,62	972,46	986,01	973,78	928,87
Notes and coins	40,66	20,02	17,28	60,27	45,14	20,30
Balances held abroad	174,02	94,69	114,58	112,27	107,84	96,23
Loans and advances to state governments	73,87	86,59	87,26	98,55	115,19	129,10
Loans and advances to scheduled commercial banks	71,05	227,81	219,93	239,36	226,52	204,42
Loans and advances to state co-operative banks	249,46	243,78	255,22	258,01	262,91	272,28
Other loans and advances†	8,07	28,16	29,25	28,27	27,99	28,39
Bills purchased and discounted	175,38	13,76	21,79	28,37	38,13	24,94
Investments	155,91	200,05	187,76	126,86	117,36	121,78
Other assets	33,04	41,76	39,40	34,06	32,71	31,43

NOTE :—The gold reserves of Issue Department are valued at Rs 53.58 per 10 grams upto January 31, 1969 and at Rs 84.39 per 10 grams thereafter.

*Including (*i*) paid-up capital of Rs 5 crores (*ii*) reserve fund of Rs 80 crores up to January 31, 1969 and Rs 150 crores thereafter, the increase representing mainly the profit on revaluation of the Bank's gold stocks, effected from February 1, 1969, in terms of the amendment to Section 33 (4) of the Reserve Bank of India Act, (*iii*) National Agricultural Credit (Long-term Operations) Fund of Rs 155 crores from July 4, 1969 and Rs 172 crores from July 3, 1970, (*iv*) National Agricultural Credit (Stabilisation) Fund of Rs 35 crores from July 4, 1969 and Rs 37 crores from July 3, 1970, and (*v*) National Industrial Credit (Long-term Operations) Fund of Rs 75 crores from July 4, 1959 and Rs 95 crores from July 3, 1970.

†Includes loans and advances to Industrial Development Bank of India from the National Industrial Credit (Long-term Operations) Fund.

SCHEDULED COMMERCIAL BANKS (Rs in lakhs)

Friday	1969			1970		
	August 22	July 24	July 31	August 7	August 14	August 21
1. Demand liabilities						
(a) Demand deposits@						
(i) From banks	111,16	128,45	126,94	123,87	125,26	122,72
(ii) From others	2,078,35	2,383,31	2,382,40	2,377,40	2,354,62	2,357,78
(b) Borrowings from banks	28,99	37,22	38,54	41,50	50,24	52,24
(c) Others	120,84	144,79	151,62	148,28	147,72	149,06
2. Time liabilities@						
(a) Time deposits						
(i) From banks	68,06	50,88	50,43	66,05	59,15	62,13
(ii) From others	2,630,37	2,977,47	2,975,60	2,990,32	2,998,48	3,010,74
(b) Borrowings from banks	9,11	5,47	5,03	5,46	5,50	7,14
(c) Others	25,15	28,72	30,28	30,74	30,33	29,62
Aggregate deposits (1)(a)(ii)+(2)(a)(ii)	4,708,72	5,360,78	5,358,00	5,367,72	5,353,10	5,368,52
4. Borrowings from Reserve Bank	71,05	231,62	200,42	232,35	224,35	196,96
(a) Against usance bills and/or promissory notes	25,60	112,42	101,75	109,02	112,22	91,03
(b) Others	45,45	119,20	98,67	123,33	112,13	105,93
5. Borrowings from State Bank and/or a notified Bank* and the state governments†	53,00	54,21	53,07	58,84	55,66	56,27
6. Cash	119,72	152,39	148,41	149,75	147,33	149,27
7. Balances with Reserve Bank	184,84	178,96	197,23	193,95	193,84	194,22
8. Cash and balances with Reserve Bank	304,56	331,35	345,64	343,70	341,17	343,49
9. (8) as percentage of (3)	6.47	6.18	6.45	6.40	6.37	6.40
10. Balances with other banks in current account	46,32	55,21	55,50	57,14	57,23	60,74
11. Money at call and short notice	62,78	67,11	69,81	73,40	87,24	80,92
12. Investments in government securities	1,237,18	1,226,56	1,259,75	1,271,96	1,270,07	1,286,94
13. (12) as percentage of (3)	26.27	22.88	23.51	23.70	23.73	23.97

SCHEDULED COMMERCIAL BANKS (*Contd*)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
14. Advances						
(a) Loans, cash credits and overdrafts	2,797,01	3,466,09	3,447,81	3,465,87	3,462,60	3,477,30
(b) Due from banks	38,45	48,24	44,92	45,64	41,84	40,42
15. Inland Bills purchased and discounted	490,58	570,12	575,48	571,13	566,47	557,52
16. Foreign bills purchased and discounted	168,93	166,62	167,25	164,22	160,40	160,35
17. Total bank credit (14) (a)+15+16)	3,456,51	4,202,83	4,190,54	4,201,22	4,189,47	4,195,17
18. (17) as percentage of (3)	73.41	78.40	78.21	78.27	78.26	78.14

NOTE :—The data on scheduled state co-operative banks are included from August 12, 1966. @Data do not include borowings of any scheduled state co-operative bank from state government and any reserve fund deposit required to be maintained with such bank by any cooperative society within the area of operation of such bank.

*Includes borrowings from the Industrial Development Bank of India from January 2, 1965 and borrowings from the Agricultural Refinance Corporation from April 1, 1966.

†Borrowings from state governments relate to scheduled state cooperative banks only.

Source : Reserve Bank of India.

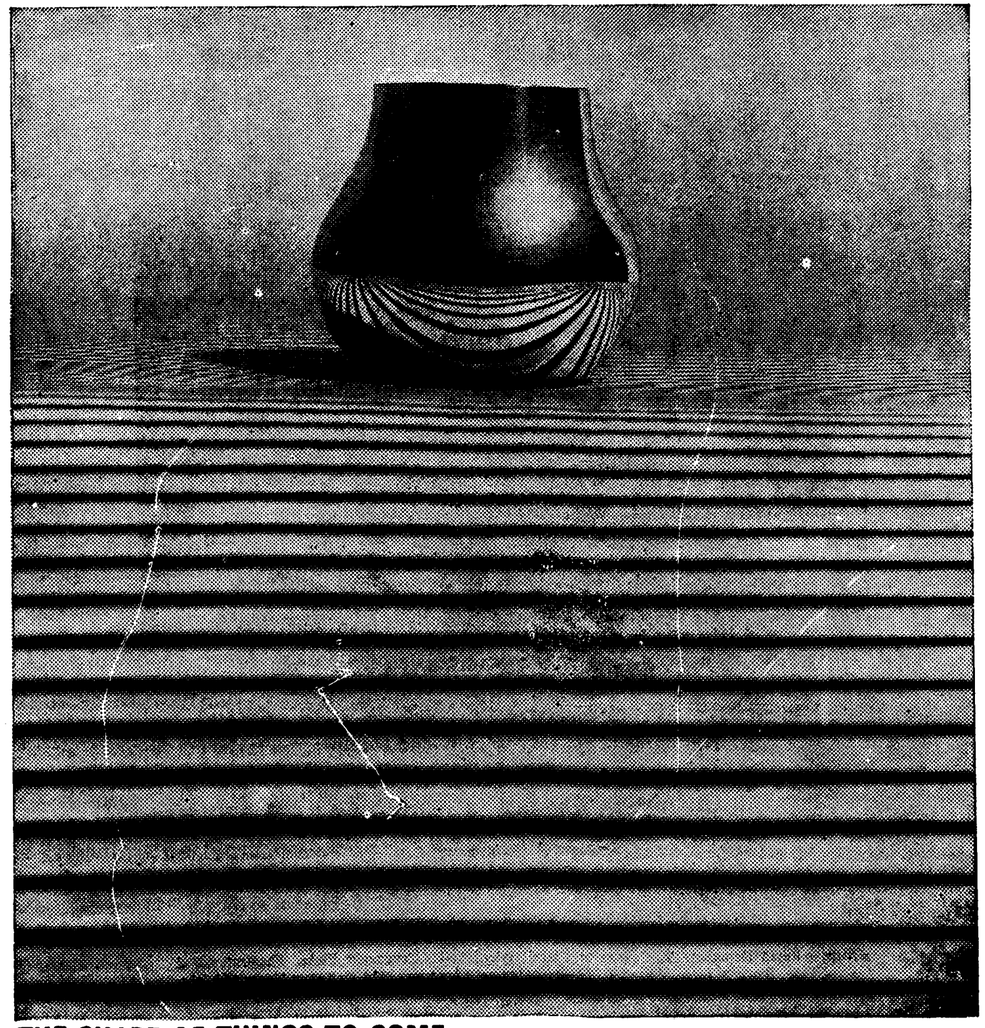
INDEX NUMBERS OF SECURITY PRICES

(Base : 1961-62-100)

Week ended	1969	1970				
	August 23	July 25	August 1	August 8	August 15*	August 22*
Government and Semi-Government Securities—All-India—Total	99.0	99.3	99.3	99.3	99.3	99.3
Government of India	98.9	99.0	99.0	99.0	99.0	99.0
State governments	99.7	100.5	100.5	100.5	100.5	100.5
Semi-government institutions	99.3	101.1	101.1	101.1	101.1	101.1
Debentures (All-India) Total	93.6	93.7	93.7	93.7	93.7	93.7
Preference Shares (All-India Total)	87.2	87.9	87.9	88.1	88.3	88.6
Variable Dividend Industrial Securities (All-India Total)	90.3	99.8	101.4	103.5	104.5	106.8
Agricultural and allied activities Total**	86.7	86.7	87.3	88.5	89.7	90.2
Tea plantations	72.4	66.5	67.2	67.9	68.5	68.8
Coffee plantations	125.6	137.2	139.3	140.4	140.8	140.8
Rubber plantations	141.0	152.4	153.0	156.3	156.7	157.5
Mining and quarrying : Total	60.7	55.6	56.2	56.9	56.9	58.6
Coal	61.2	54.6	55.3	56.0	55.5	56.6
Other mining	58.6	60.3	60.3	60.9	63.3	67.2
Processing & Manufacturing : Total	87.3	96.9	98.3	100.4	101.3	103.2
Processing and mfg. (foodstuffs, textiles etc.) Total**	76.4	81.7	82.9	85.2	86.1	87.5
Edible and vegetable oils	163.2	201.1	207.9	213.1	216.0	218.8
Sugar	94.3	81.9	82.9	83.9	84.1	84.6
Cotton textiles	64.8	69.8	70.5	72.8	74.3	75.8
Jute textiles	49.5	42.1	44.5	45.8	45.9	45.4
Silk, woollen and rayon textiles	100.9	114.3	116.1	119.6	123.8	127.4
Processing & mfg. (Metals, chemicals etc.) Total**	94.3	105.3	106.6	108.6	109.4	111.2
Iron and steel	118.0	114.6	114.5	116.3	117.4	118.5
Non-ferrous metals—Basic	118.7	135.8	136.8	139.2	139.4	139.9
Transport equipment	87.7	78.1	79.5	81.8	83.0	86.0
Electrical machinery, appliances, etc.	95.0	124.5	127.0	129.7	131.4	131.3
Machinery other than transport and electrical	84.9	78.6	80.2	80.9	80.5	83.9
Foundries and engineering workshops	57.3	68.6	70.3	72.5	73.1	75.7
Metal products	63.8	77.5	78.7	81.4	83.1	85.0
Basic industrial chemicals	90.4	114.7	116.8	118.6	118.6	121.7
Other chemical products	131.6	156.8	158.2	158.6	156.6	157.8
Processing & mfg. (Others) : Total**	99.6	118.4	120.4	122.5	123.7	127.6
Cement	104.5	111.3	111.9	114.1	115.1	117.9
Paper and paper products	106.6	143.9	147.5	149.1	150.4	157.1
Rubber and rubber products	119.9	149.2	152.5	155.8	157.9	162.3
Other industries : Total**	115.3	131.6	133.2	135.0	136.4	140.0
Electricity generation and supply	120.1	129.0	129.2	129.4	129.4	129.5
Trading	89.0	98.1	98.9	99.4	100.5	102.5
Shipping and other transport	231.5	303.9	312.0	320.7	325.2	346.0
Financial : Total	104.2	112.1	117.5	120.5	122.9	125.0
Banks	96.1	108.4	116.0	119.8	122.5	123.8
Insurance	163.8	157.8	160.8	164.3	168.1	177.2
Investments	93.8	95.7	95.9	95.9	96.4	97.1
Variable Dividend Industrial Securities (Regional)						
Bombay	103.2	112.3	114.1	116.6	117.9	120.7
Calcutta	85.1	95.9	98.0	99.8	100.1	101.6
Madras	81.6	88.4	89.4	90.8	92.6	94.0
Ahmedabad	76.5	81.9	81.9	84.6	85.2	86.9
Delhi	108.2	120.5	121.5	123.0	125.0	126.1

**Including others. *Provisional.

Source : Reserve Bank of India.



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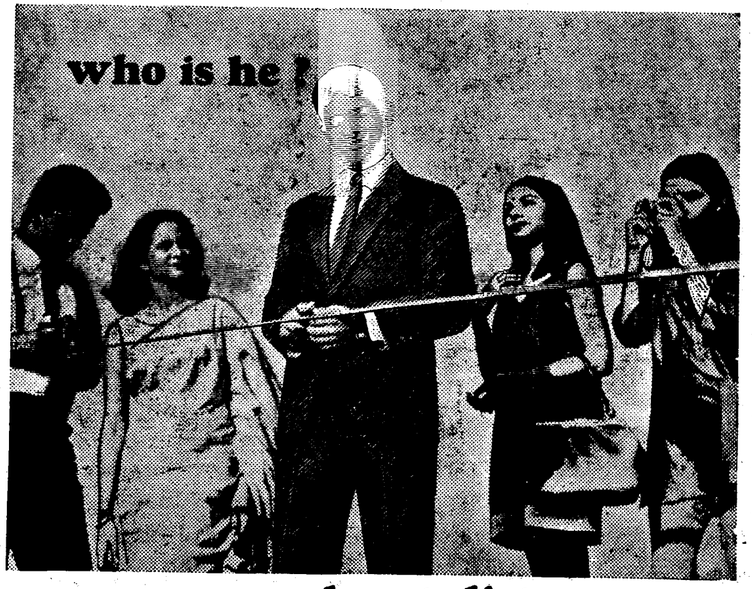

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EASTERN ECONOMIST 13

WITH A SPECIAL SUPPLEMENT ON MYSORE STATE

RUPEES 1.50 SEPTEMBER 25, 1970 VOL. 55

Confused in Kerala

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Haldia and Durgapur

Selling Cotton Textiles to USA

Municipal Finance and Economic Planning

Public Expenditure Trends in OECD Countries—II

World Bank Aid Doubles

IFC Extends its Activities

Increasing Responsibilities of IMF

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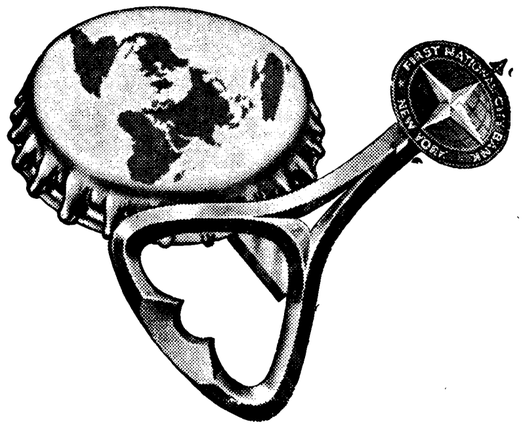

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Increasing Responsibilities of IMF

MYSORE ON THE MOVE — (A special supplement on Mysore state is published along with this issue.)

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CONFUSED IN KERALA

IN KERALA it has always been easier for 'fronts' or other groupings to win elections than to provide stable government. The results of the latest election for the legislature in that state, therefore need to be assessed with considerable circumspection. To the extent that the CP(M) has lost ground there is room for rejoicing. But an alliance of the ruling party at the centre with the CPI and the Muslim League at the local level, whatever form this arrangement may take, is surely not the best that could have happened to Kerala or the nation. Doubt must also exist whether this alliance would work and work well. Part of the explanation for the way the verdict in Kerala has gone could be that the Achutha Menon ministry was seen to be a change for the better from the Namboodiripad administration which had become patently partisan in dealing with issues of lawlessness or corruption. We presume, however, that the good people of Kerala ought to have more positive expectations of a new government than a mere continuance of this lesser evil.

In one of the newspaper commentaries on the election in Kerala, there is mention of the " constitutional Communism " of the CPI. This phrase, whatever it may mean, is more daft than deft. The party of Mrs Gandhi, when it sits down to its post-election political feast with the CPI and the Muslim League, must equip itself with a very long spoon indeed. The attendant strain will not exactly be a help to the Prime Minister's faction in properly digesting the gains it has made at the polls. All in all, the political literacy of the electorate in Kerala seems to continue to trail behind its political maturity. It is a pity that, even after so many elections, interim or other, the direction of Kerala politics continues to be confused, with the signals winking as weakly as ever where a truly democratic destination is concerned.

Mysore on the Move

THIS ISSUE of *Eastern Economist* carries a report on the State of Mysore with particular reference to its economic problems, progress and prospects. The southern states have, on the whole, done well in agriculture or industry, in relation to comparable areas elsewhere in the country. Nevertheless, progress in this region has been uneven and to some extent inadequate. Among the more serious constraints on economic expansion in the southern states, mention needs to be made particularly of the deficiency in food production which has been haunting three out of the four states. Fortunately, it now seems possible that this particular problem will cease to be a serious one in the years immediately ahead. Not only is the southern region as a whole likely to become surplus in food, but individual parts of it can also hope to improve their fortunes. It follows that the southern states may look forward to a more rewarding phase of economic development in the seventies.

The State of Mysore seems well placed to take advantage of this opportunity. Its greatest asset is that its people are realists and its politicians pragmatic. The present government headed by Mr Veerendra Patil has demonstrated its resolve to continue and carry forward the traditions of the state in the matter of exploring and exploiting its natural and human resources for the demonstrable wellbeing of its people. Government policy here is remarkably free of self-defeating commitments or frustrating inhibitions. While believing in the virtue of decentralised industrial development with a firm base of local entrepreneurship, the people and the Government of Mysore are refreshingly willing and able to take advantage of the human and material resources which may be made available to the state from other parts of the country. This makes it all the more pleasant for this journal to make its modest contribution towards promoting in the nation a proper appreciation of the Mysore state's forward-looking economic policies and practices.

FCI's Progress

FULL COMMENT on the performance of the Fertilizer Corporation of India (FCI) during the year ended March 31, 1970, of course, must await the availability of its balance sheet some months hence. But the information furnished by its outgoing Chairman, Mr Satish Chandra, to newsmen recently suggests that despite many a handicap, the corporation has done fairly well. The gross profit earned by it during this year aggregated to slightly over Rs 18 crores, as against Rs 15.56 crores in 1968-69 and Rs 10.62 crores in 1967-68. The total turnover of the corporation showed an improvement from nearly Rs 38 crores in 1967-68 to Rs 48.79 crores in 1968-69 and to Rs 65.8 crores in 1969-70.

Production-wise, of its five operating units, four—Nangal, Gorakhpur Namrup and Sindri—showed improved results. There was, however, decline in production at Trombay (See table along side). The Nangal unit did exceedingly well by turning out production of both fertilizers and heavy water at a rate higher than even the rated capacity, despite power cuts from the Bhakra management. This is understood to have been the result of overhauling of electrolysers which helped in operating the plants for nearly 355 days in the year, as against 336 days indicated by suppliers.

The Gorakhpur unit, though it was commercially commissioned only on January 1, 1969, yielded production to as much as 91 per cent of the rated capacity. The production at the Sindri unit showed an improvement by about six per cent over the previous year in spite of the quality of gypsum and coal leaving much to be desired and the age-old equipment entailing a good many maintenance problems. The Namrup unit worked to slightly over 50 per cent capacity; it also had gone into commercial production on January 1, 1969. At Trombay, while the production of methanol and other non-fertilizer sections was well kept up, there was a sizable setback to the output of fertilizers due to design and engineering deficiencies and raw material difficulties.

Two other encouraging aspects of FCI's operations in 1969-70 were: (i) the modest exports were not only kept up but also increased somewhat; and (ii) the programme of promoting use of fertilizers was pushed through in right earnest. The beginning at export was made in 1968-69 by sending out to Kuwait and the United Arab Republic small quantities, worth a couple of lakhs of rupees, of methanol. In 1969-70, the corporation exported to Bulgaria nine lakhs of rupees worth catalysts and nearly three lakhs of rupees worth methanol, ammonium bicarbonate and nitric acid to various other countries. An export order for about six lakhs of rupees worth catalysts was received by the corporation from Italy. Along with export efforts, attempts at import substitution were intensified.

In 1969-70 import substitution by way of spares aggregated to nearly Rs 148.18 lakhs, as against Rs 139.27 lakhs in the previous year. The need for concerted promotional work for encouraging the use of fertilizers is well recognised by the corporation as unless it undertakes this work, its operations would be affected to no small extent due to large concentration of its manufacturing activities in east India. Of its five currently operating units, four are located in this region. Of the nine schemes under implementation or about to be taken up — Durgapur, Barauni, Namrup expansion, Nangal expansion, Trombay expansion, Haldia, Sindri rationalisation and coal-based plants at Talcher and Ramagundam—as many as six are also in the eastern region.

While the FCI management can take legitimate pride in its achievements on the above counts, it has, however, to make much more strenuous efforts than hitherto to increase its profitability as well as in regard to setting up of the new units. Thanks to the tremendous loss of over Rs 4.4 crores incurred by the Trombay and the Namrup units owing to their working to just about half of their rated capacities, and the obligation to meet higher depreciation costs and interest payments on loans secured (Rs 15.70 crores in 1969-70, as against Rs 11.13 crores in the previous year), the profit after allowing for the above provisions amounted to Rs 2.52 crores in 1969-70, as against Rs 4.42 crores in 1968-69. This adversely affected the various operational ratios.

Even the ratio of gross profit to equity capital showed some decline in 1969-70; it works out to about 19 per cent for this year, as against slightly over 21.5 per cent for the previous year. The teething troubles of the Namrup unit, which are said to be the primary cause of its loss of slightly over two crores of rupees in 1969-70, compared to about Rs 34 lakhs during the three-month commercial working in 1968-69, have, indeed, been very prolonged. The Trombay unit had earned a profit of slightly over Rs 40 lakhs in 1968-69. In 1969-70, it incurred a loss of about three crores of rupees. As the profitability of these two units depends to a considerable extent on their expansions, which will bring down appreciably their fixed costs per tonne of fertilizers, the expansion programmes need to be pushed through energetically. Both these plants are over-capitalised at present due to various reasons, including several initial mistakes. The only way to rationalise their investment structure is to expand them expeditiously. It is encouraging to note that Trombay expansion is to be based on imported ammonia. This can yield quick results.

As regards the other projects under construction or which are proposed to be taken up during the current financial year, extreme care needs to be exercised in seeing that no undue delays occur in their implementation. Both the Durgapur and the Barauni units, which are presently being set up, are now expected to be cost much more than originally envisaged, the reason being inordinate delays in execution. Even the recent expectations that the Durgapur plant would be commissioned by the end of this month and the Barauni unit by December this year are being belied; there may be six to seven months delay in the completion of both these projects. Delayed supplies of some equipment are said to be responsible for this. Precautionary measures to avoid such delays ought to be taken in regard to the projects now being taken up for execution.

PRODUCTION OF FCI UNITS

Sindri	1967-68	74,068 tonnes N
	1968-69	75,757 tonnes N
	1969-70	79,450 tonnes N
Nangal	1967-68	77,665 tonnes N 9,835 kgs. heavy water
	1968-69	77,310 tonnes N 14,281 kgs. heavy water
	1969-70	79,765 tonnes N 15,846 kgs. heavy water.
Trombay	1967-68	44,128 tonnes N 17,036 P_2O_5
	1968-69	52,705 tonnes N 21,195 P_2O_5
	1969-70	44,314 tonnes N 16,898 tonnes P_2O_5
(Bye-products output not available)		
Gorakhpur	1967-68	1,187 tonnes N
	1968-69	46,930 tonnes N
	1969-70	72,710 tonnes N
Namrup	1967-68	....
	1968-69	11,610 tonnes N
	1969-70	22,920 tonnes N

Installed Capacities

Sindri	117, 045 tonnes N. (Attainable effective capacity at present is estimated around 100,000 tonnes N.)
Nangal	79,540 tonnes N. 14,100 kgs. heavy water
Trombay	88,740 tonnes N. 35,100 tonnes P_2O_5.
Gorakhpur	80,000 tonnes N.
Namrup	45,000 tonnes N.

Haldia and Durgapur

IN HIS presidential address at the first quarterly general meeting of the Indian Chamber of Commerce, Calcutta, on 4th September, Mr R.P. Goenka pleaded for massive investment in West Bengal for which he envisaged considerable scope. He suggested an investment of Rs 500 crores in Haldia in the next few years for developing the infrastructure, petro-chemical and fertiliser projects. He urged Dr Triguna Sen, the union Minister for Petroleum, Chemicals, Mines and Metals, to take special interest in Haldia and give an assurance regarding the availability of naphtha for the petro-chemical complex. Mr Goenka also suggested the creation of a free trade zone at Haldia.

That the Haldia region offers vast potential for investment has been known for a long time, but not much has been done to develop the infrastructure and to promote industries. Discussions have been held in recent years between industrial organisations and the various governmental departments regarding the possibilities of developing industries in Haldia but lack of confidence rather than shortage of funds or entreprenurial skill has held up progress.

Investment on a large-scale can take place only when the West Bengal government can give more positive evidence of its ability to enforce discipline in industry and maintain the rule of law. There should be little difficulty in this regard if the political parties, so vociferous about the plight of the poor, sincerely co-operate with the government. The employment potential of Haldia is vast and this factor alone should induce a sense of urgency in expediting Haldia's development. The Government of West Bengal should set up an authority to co-ordinate Haldia's development, appoint consultants to prepare project reports, and constitute a committee of industrialists to advise the government on various aspects of this programme.

The suggestion to have a free trade zone in Haldia deserves earnest attention. This proposal was put forward several years ago by the leading industrial organisations in West Bengal. But New Delhi did not favour it probably because it wanted to make a success of the Kandla free trade zone before it decided to set up another. Now that some experience has been acquired as to how to run a free trade zone, there is no need to delay the Haldia scheme. Even if the working of the Kandla zone has not been entirely satisfactory, that is no justification for not giving a fair trial to the free trade zone in Haldia.

In this connection, it is pertinent to recall the remarks made by a committee set up by the FICCI last year to study the working of the Kandla free trade zone. The committee said, "In the initial stages the response from trade and industry was quite encouraging but the ultimate result has been that only five factories belonging to small and medium scale industries group have gone into production. The committee strongly feels that halting and discriminating policy, rigid approach of the central government, and piecemeal announcements of incentives have failed to produce the desired impact on the mind of the industrialists or businessmen in the country. It is not lack of response from the industrialists which has been responsible for the present state of affairs. Had government adopted a more imaginative and dynamic attitude and approach towards the integrated development of the Kandla—Gandhidham area, the structure would have been different". The Government of West Bengal can also study in detail the working of the free trade zones in various parts of the world—in the developed and in the developing countries—and adapt the Haldia scheme accordingly. The zone can provide considerable scope for setting up export-oriented industries whose products can find a ready market in the countries of south east Asia.

The President of the Indian Chamber of Commerce recalled that he had suggested to the Planning Commission to set up a small fact-finding committee to examine to what extent the investment made in Durgapur so far has produced the desired results and what measures are necessary to attract more investment. It is surprising that the Planning Commission has not, of its own accord, set up such a committee. No member of the Planning Commission seems to have visited Durgapur in

"Don't complain of red-tape in industrial licensing."

recent years to have a first-hand idea of its problems and possibilities. About Rs 700 crores are estimated to have been invested in the large and medium industries in Durgapur and Asansol. It will be worthwhile therefore to take stock of these investments and suggest appropriate measures to attaract new entrepreneurs. There are various aspects to be considered such as the supply of power, water, gas, transport and communications, availability of raw materials, and housing. A study by the Planning Commission, in co-operation with the Government of West Bengal and the industrial organisations, will certainly be worthwhile.

It is likely that foreign investors also may show some interest in setting up industries in Durgapur and in the free trade zone in Haldia. But this will depend largely on the extent to which Indian investors themselves are willing to come forward to start industries in these places. The Government of West Bengal has acted commendably in announcing certain incentives to entrepreneurs. But these incentives are not attractive enough as compared to those offered by other states. There is no reason why entrepreneurs should be keen to invest in West Bengal when the other state governments have been able to show a more imaginative understanding of the problems and prospects facing investors at present.

West Bengal should modify its incentives so as to confer some special benefits to those who invest in this state. Concessions in electricity duty and water rates are not included in the incentives of West Bengal while they find a place in the schemes of almost all the other states. Moreover, unlike other states, the municipalities in Greater Calcutta include plants while assessing the rental value of the factory buildings, which imposes heavy burden on the industrial units. The West Bengal government has also not indicated the growth areas in the state and what exactly are the types of financial assistance that will be available to those who invest in such areas. If the Government of West Bengal pursues a more practical policy in regard to industrial development and New Delhi is also more helpful, it should be possible to break the stagnation in the state and give an imputus to economic growth.

Selling Cotton Textiles to USA

TWO RECENT developments of particular interest to the acotton textile industry of this country do not appear to have received adequate notice. One is the latest bilateral agreement with the USA details of which became available following the last meeting of the Cotton Textiles Advisory Committee in Bombay, recently, and the other is the new Tariff Bill or Trade Bill proposed by the House Ways and Means Committee of the US, in so far as it concerns textile imports into the US. Not only India, but a number of other textile exporting countries have been evincing keen interest in the progress of this bill.

It may be recalled that an informal emergency meeting was held in Geneva even in the first week of August in the wake of reports that such a bill was in the offing, among the big four, namely the US, the UK, the ECM and Japan—under the auspices of the GATT, but nothing tangible eventuated then, except for a decision to consider the question of setting up a study group to discuss the world trade in textiles, including cotton textiles, at a subsequent GATT meeting, which is now scheduled for October 1, 1970. On the eve of this meeting (on September 29), there will also be a council meeting of the GATT. The deliberations of these meetings should be closely and carefully followed both by the authorities and textile interests. Compared to the concern for the US textile industry expressed by President Nixon, the interest being evinced in the Indian mill industry by the Government of India pales into insignificance. "In view of the enormous importance of the textile industry to this country" and "the fact that one out of eight workers in manufacturing is in textiles", Mr Nixon stated at a recent press conference, he would give his blessings to a limited trade bill dealing with textiles only and providing for mandatory quotas to come into effect and to remain in effect only if voluntary quotas are not negotiated.

Be that as it may, the bilateral negotiations with the US which India has been able to conclude are in accordance with the spirit of the Long Term Agreement in regard to Cotton Textiles (LTA) which is due to expire on September 30, 1970, but which it has been agreed (at the meeting of the GATT) to extend up to September 30, 1973. India agreed to the three-year further extension of the LTA, subject to the satisfactory conclusion of bilateral negotiations with the main importing countries, such as the USA, EEC etc. The negotiations with the US were verily a long-drawn affair, in that they started as early as in January last and could be concluded only towards the end of August, *i.e.*, barely six weeks before the existing agreement was due to expire. Between the time when the expiring agreement was negotiated and now, there has, of course, been a lot of change in the US thinking on this question, thanks to the stiff attitude of Japan and other countries with which the US attempted to negotiate a voluntary quota agreement for over a year without success. But it must be stressed here Japan's stand is more in regard to the application of the bilateral arrangement in regard to man-made fibres.

Under the new bilateral agreement concluded with the US (for a period of four years from 1970 to 1974 according to the Cotton Textiles Advisory Committee sources), India's quota of cotton textile exports will be raised from 97.2 million sq. yeds. at present to 110 million sq. yds. which represents an increase of 13 per cent. The quota is to be increased on the basis of a five per cent annual growth or by over 10 million sq. yds. for the first year. The agreement also provides for a five-million quota for handloom products (handloom fabrics are free of controls as it is), besides a separate arrangement for export of typical "Indian items" such as *Kurtas* without quantitative limits. Although the US could afford to take in more textile goods from India it is just as well that India has already negotiated this bilateral quota arrangement, that is, before the US Trade Bill is passed, because thereby this country has secured the US government's assurance that it will not impose countervailing duties on imports from countries such as India which have agreed bilateral quota arrangements.

The US could certainly afford to import more textile goods from India as stated above, for these admittedly exists a good demand for Indian cotton textile in that market. According to the Cotton Textile Export Promotion Council, exports into the US are not only hampered by quantitative restrictions but also—and, in fact, more—by ceilings on individual categories (details of such ceilings under the new agreement are not yet available) within the overall quota. In spite of these adverse factors, it is noteworthy, India exported 593.2 lakh sq. metres in 1969, compared to 549.1 lakh sq. metres in 1968.

More than 50 per cent of the trade was in grey sheeting, exports of which aggregated 303.1 lakh sq. metres. Nevertheless, India's share of the US market was not even one-tenth of the total In 1969, the US imported from all sources cotton textiles aggregating 5,508 lakh sq. metres, an increase of over 14 per cent over the total US textile imports from all countries in 1968. The increase in the case of India was only around 8 per cent so that the greater beneficiaries of the imported US offtake of cotton textiles in 1969 were other countries primarily Japan and Hong Kong. Pakistan's cotton textile exports to the US in 1969 also rose more or less to the same extent as India's. Among other major suppliers of cotton textiles to the US are Formosa. Egypt, South Korea, Spain, Belgium, Columbia and Canada.

A detailed reference has ere now been made by our Washington Correspondent to the US Trade Bill (Vide *Eastern Economist* dated September 4, 1970), but it is proposed to highlight here only those portions of the Bill as relate to textiles. The bill (assuming it will be passed in its present form which cannot be guaranteed) seeks to impose quantitative limitations on imports of textiles (articles of cotton, wool, man-made fibre and their blends).

Total quantities of imports of cotton textiles are to be limited by categories (a particularly inhibitive feature which India has been repeatedly complaining against) beginning from January 1, 1971, to the average annual quantities imported during 1967-69. (India's mill-made cotton textile exports of all varieties to the US in the years 1967, 1968, and 1969 are 566.7 lakh sq. metres, 678.3 lakh sq. metres and 695.9 lakh sq. metres, which givens an average of about 647 sq. metres). For the year after 1971, according to the Bill, the total quantity of imports of each category of textile articles would be limited to the quantity determined for the previous year plus an increase (of not more than five per cent) to be determined by the US President, subject to such percentage inerease for any category for any year being the same for all countries.

It is significant that the supporters of textile quotas in the US base their arguments only on the rate of growth of imports and not on the rate of growth of their sales and profits, or, for that matter, on the rate of growth of demand. True, between the years 1961 and 1968, US imports of textiles increased by 135 per cent compared with an increase of only 47 per cent in domestic textile production, but it is also true that, over the sixties, sales and profits of the US textile industry increased by 62 per cent and 114.4 per cent, respectively. Strictly speaking, therefore, despite all their hue and cry, the US textile interests have not fared badly at all. Had that been the case, they would have asked for relief from import competition under the "escape clause" provision of the existing law itself, which they have not done. Evidently, they are banking and bargaining on the promise that President Nixon reportedly made to them on the eve of his election in 1968 to give protection against imports through quotas.

Eastern Economist 25 Years Ago

SEPTEMBER 28, 1945

Presiding over the first Andhra Industrial Conference held recently at Bezwada, Mr G. L. Mehta made a wide and general survey. of the future economic status of our country. Referring in particular to the problem of industrialization he stressed the need for a national economic policy in view of the essential economic unity of the country. But at the same, time, he pointed out that a fairly high degree of regional planning and decentralization of industries would not only be quite compatible with a common economic policy, but would also moderate a drift towards over-centralization. Post-war development of industries is essential, he reiterated, in order to provide an offsetting influence against the possibilities of a deflationary spiral. The prospects of intense competition from foreigners being certain, Mr Mehta's emphasis on the need for through investigation, organization and research in order that our industries may be stabilized and survive in an era of 'titanic corporations and rapid technical developments' should be taken seriously.

RECORDS AND STATISTICS

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Municipal Finance and Economic Planning

MOHAN SINGHAL

In a country such as with a federal structure of public finance there operate three layers of fiscal system which create many problems for a unified operation of fiscal policy either for achieving the objective of economic stabilisation or for promoting the rate of economic development. For a planned and effective operation of fiscal policy in federal structure it is necessary that an effective machinery of planning be established both at the national, regional and base levels so that there is effective regional planning in the larger context of national planning. In democratic planning it becomes necessary that there should be planning from below based upon a thorough and expert knowledge of local resources and conditions, and local plans should be effectively co-ordinated and incorporated in the framework of a large plan at the regional level.

Perverse Fiscal Bchaviour

If the local government sector is outside the orbit of effective planning, its rate of growth may be adversely affected by the perverse fiscal behaviour of the local governments. Their public expenditure policy may lack in necessary dynamism essential for accelerated rate of growth and they may fail to utilise their resource potentials to the fullest possible extent to mobilise maximum resources. This may be due to a number of reasons such as poor co-ordination of fiscal policy at all levels of government, lack of an effective planning machinery at the local level in the larger framework of national and state planning and reluctance on the part of the local governments due to the deficiency of administrative and technical competence to undertake a programme of planned economic development.

The Planning Commission at the national level has been functioning quite effectively and successfully, formulating plans for the economy as a whole, making assessment of real and financial resources and of the achievements of each of the five-year Plans. But at the state level no effective and whole-time machinery of planning has been established which may be capable of taking a continuous view of the process of planning. Neither has there existed a machinery of planning at the base level. Even where the programme of democratic decentralisation has been implemented there does not exist an effective and expert machinery of local planning. The absence of a properly organised set-up at the centre to study the interests of urban local authorities has resulted in the neglect of municipal problems. The towns and cities were left out of the process of planning and development in the three five-year Plans, and the union ministries have paid inadequate attention, if any, to matters affecting the urban local bodies.

For the fourth Plan, however, a working group was set up in the Health Ministry to make recommendations for the inclusion of schemes for the improvement and development of urban areas and the strengthening of local bodies.[1] A United Nations sponsored seminar on "Central Services to Local Authorities" held in 1963 at the Indian Institute of Public Administration in New Delhi, also suggested a planning and financial cell to guide and assist urban authorities in preparing their five-year plans on a uniform pattern as part of the state plan.[2] Therefore, it is necessary that there should be an effective plan of local development defining targets of development and of the raising of resources and this would require the creation of suitable local machinery of planning of development policy. The fact is that "The central government is no more the only source and centre of development, its role has become more a matter of guiding, assisting, controlling than mastering. Good local governments are needed as central government's equal partners, to reduce the heavy burden and to share the responsibilities of the latter. This new role, generally speaking, local governments can manage very successfully.[3]

Planned Development Programmes

So far as the municipal bodies are concerned they have been executing development programmes largely on the basis of their annual budgets. They have no five-year plans in the context of which their annual budgets and programmes of development would be executed. Therefore it is of the highest importance that each municipal body should formulate a five-year plan of its own based, on a through and expert knowledge of the local conditions and requirements as well as resource potentials. It is then alone that development policy can be efficiently and effectively executed and the municipal bodies can make a marked impact on the life of the local population. If these municipal bodies operate on the basis of a five-year plan of development in the larger context of regional and national planning, it will contribute to a planned utilisation of resources and as a result the municipal finances are bound to make a profound impact on the life of the local population. Thus it is necessary that each of the municipal bodies should establish a planning body which should have an expert knowledge of planning and municipal finances and this body should formulate a five-year plan of development in the context of the regional plan of development. Planning in India for accelerating the rate of growth of the Indian economy and for a judicious allocation of resources has not yet percolated to the local level. This requires a fundamental change in the entire approach to planning which should involved effective planning from below is the central spirit and essence of democratic planning.

Conforming to National Planning

Municipal planning is necessary not only for conforming the whole national plan to the spirit and essence of democratic planning but also for a number of other reasons. The municipal bodies have a tendency to follow a fiscal policy which is quite contrary to the national fiscal policy both in the context of depression as well as of development. And as a result, fiscal policy as a whole fails to be effectively and adequately geared either to achieving the objective of economic stabilisation or accelerating the rate of growth of an economy. It was found that during the depression of 1930 in the USA, "the taxing, borrowing and spending activities of the state and local governments collectively ran counter to an economically sound fiscal policy"[4] and this contributed to the deepening of the slump.

The division of functions in the public sector between the central government and the local authorities even in the United Kingdom had proved a limiting factor in the planning and execution of an integrated public investment policy during the period of the depression. The state and local governments tend to behave like private enterprise during the business cycles. In a boom they are buoyant with optimism and tend to undertake a programme of expansion thus adding fuel to the fire of inflationary expansion. In a slump they are struck with gloomy pessimism and tend to undertake a policy of contraction; thus adding to the deepening of the

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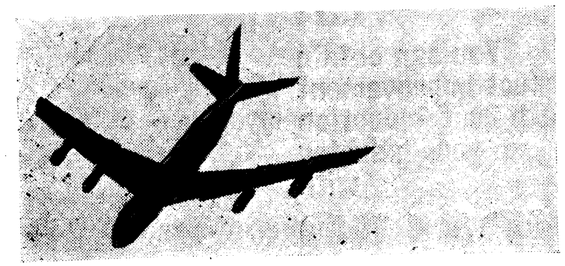

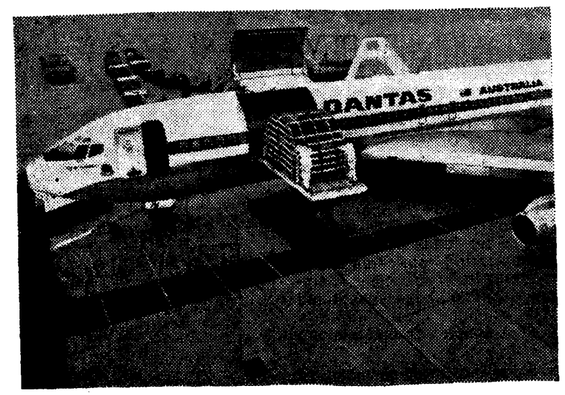

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slump. Thus these governments tend to follow, "the swings of the business cycle from crest to trough. spending and building in prosperity periods, and contracting their activities during depression."

Long Term Plans

The element of perversity imparted to the fiscal policy of local governments results from the fact that they tend to import the orthodoxies of personal finance into their fiscal behaviour. They function under serious limitations of taxing and borrowing powers and therefore they always look to the current and short-term adequacy of their resources. This leads them to follow a policy of balanced budget irrespective of the ups and downs of business cycles. In addition there seems to be a psychological reluctance on the part of local governments to undertake a compensatory fiscal policy. Since economic fluctuations are national in scope, it may not only be useless but also too costly for them to try to influence the course of the cycles. The individual action of each of the governments would be of meagre importance in influencing the course of the cycles because the multiplier effects of their public spending policies tend to spill over into other governmental areas due to geographical leakages. Thus planning at the municipal and local level is of vital importance for the concerted counter-cyclical fiscal policy.

In a developing economy it is of vital importance that the size of the public sector should expand manifesting itself in terms of a remarkable expansion in the magnitude of public expenditure. But along with the expansion of public expenditure it is also necessary that the content and composition of public expenditure should undergo a fundamental change. The relative importance of investment expenditure and expenditure on development must increase in relation to the current expenditure and expenditure on non-developmental activities. At the same time taxing and borrowing instruments should be fully and effectively geared to the mobilisation of an increasing volume of resources for meeting the financial needs of planned development.

The municipal bodies, limited as their powers are with regard to taxation and borrowing, would have always the tendency to look to their current and short period needs in utter disregard of the needs of long-term development. Therefore the danger may be that whereas increased outlay would be necessary for accelerating the rate of economic growth of the economy, the rate of growth of developmental outlay at the local level may be very low or negligible or there may be a complete stagnation in the growth of municipal outlay and this may, to some extent, neutralise the effect of development policy at the national and statelevel. Therefore, if at the municipal level the public expenditure policy is planned on the basis of a five-year plan and targets of development are laid down, the entirea pproach to fiscal policy at the municipal level is bound to undergo a fundamental change. It would also lead to a planned utilisation of resource potentials to meet the expanding demand for resources.

The existence of a five-year plan at the municipal level, in the formulation of which there should be popular participation and co-operation and which would take into consideration the needs of each locality within the municipal area, is bound to arouse a lot of popular enthusiasm. This opposition of the local population to the raising of resources by the municipal bodies springs largely from the fact that the public expenditure policy of these bodies lacks a sense of direction and has not been able to make a significant impact on the life of the local population. There is a feeling that a significant proportion of resources is wastefully spent at the municipal level due to the lack of honesty and efficiency of the municipal staff. Therefore, an improvement in the standard of public expenditure and fiscal performance at the municipal levewould definitely change the public attitude towards the entire problem of resources mobilisation. If the public is convinced that the resources raised would be efficiently and impartially spent to the maximum welfare of the population, much of the opposition to the tax policy of the municipal bodies would disappear.

Decentralisation of Power

Now the state is no more regarded as a 'police state', performing only limited functions. The industrial revolution, new scientific and technological advancements, need for social and economic changes are some of the causes which have greatly widened the scope of the activities of the state[6]. 'More the activities increase more the expansion we find in the administrative machinery. All functions cannot be performed by central government alone. Thus increasing activities of the state and administrative expediency demand decentralisation territorial and functional both, and organisation of active local authorities to share the burden.

There are certain schemes of development which can be very usefully implemented by the local bodies either because their geographical coverage is small or they need local initiative and resources. Such schemes may include the development of local transport and communications, drainage, water supply and sanitation, growth of public utilities, public health and medical arrangements as well as primary education. Thus if the public expenditure policy of the local governments is sufficiently and efficiently geared to the promotion of economic growth, it can play an important role in the expansion of infrastructural investment which has been very aptly characterized as 'foundation investment'.[7]

Reduction in Expenditure

It has been seen that due to the unplanned growth of public expenditure there has been a tendency on the part of many municipal bodies to devote a significant proportion of their resources to non-development purposes particularly to expenditure on general administration. Therefore, if this trend in municipal expenditure is to be prevented it is necessary that public expenditure policies at the municipal level should be fully and effectively planned. It is true that in a developing economy along with the expansion of expenditure on development the expenditure on administration is also bound to increase but in the context of planning this growth in the volume of administrative expenditure should not be haphazard but in the tune with the growing requirements of a planned implementation of development policy.

It has also been seen that there has been a large waste of municipal resources because of double payment or due to bad and defective system of budgeting and defalcation and embezzlement of municipal funds. It has also been mentioned in the various audit reports on municipal finances that there are large divergences between budgetary estimate of expenditure and actual expenditure because of the fact that the machinery of budgeting at the municipal level is not very efficient and correct estimates of expenditure are not prepared. Therefore, planning of expenditure policy of the municipal bodies would involve a number of things such as streamlining of the municipal financial administration, more expert staff for municipal administration, introduction of scientific budgetary techniques, avoidance of waste in expenditure and improvement of the honesty and integrity of the municipal staff. This means that in the context of planned development of municipal expenditure policy it is necessary that the entire municipal staff dealing with municipal finances be thoroughly screened and those considered to be undesirable should be weeded out.

The planning of public expenditure policy would also involve the fact that

the blueprints of schemes which are to be implemented during the period of a five-year plan are completely and thoroughly prepared and the five-year plan is properly phased. Along with this phasing of each scheme which is to be implemented during a five-year period has to be carefully done. This would avoid waste and unplanned utilisation of resources. At the same time there should be an assessment of progress of the municipal five-year plan each year and in the light of the achievements the target for the next year may be revised. Thus planning at the municipal level should go along with a large flexibility in the implementation of public expenditure policy. A five-year plan prepared by the municipal bodies be an organic and integral part of the plan of the state and the formulation of the plan should be undertaken with the larger frame-work of the state plan, though keeping in view local needs and local resources.

Mobilisation of Resources

For the financing of a programme of planned growth of public expenditure at the municipal level it is essential that there should be a planned mobilisation of resources by the municipal bodies. The problem of resource mobilisation at the municipal level is a difficult one and this would involve not only a fundamental change in the entire approach of the municipal bodies but also in the approach of the public to the tax and fiscal policy of the municipal bodies. The programme of planned mobilisation of resources would mean that these bodies must set up targets of raising resources in the context of five-year Plan and the programme of resource mobilisation from each of the sources under their control such as taxes, fees, resources from municipal proerty and other miscellaneous items must be thoroughly worked out.

So far as taxation is concerned, general property tax *i.e.*, the tax on the annual value of holdings is the most important fiscal instrument for resource mobilisation by the municipal bodies. The rate of this tax is one of the highest in India and therefore there appears to be no scope for raising the rate of this tax for the sake of mobilising resources but the rate structure of this tax may be modified by introducing an element of progressiveness which is fully justified. Therefore, the reconstruction of the general property tax on the basis of progressive rate structure is of vital importance if the importance of this tax is to be maintained as an effective instrument of municipal finance.[8] But the reconstruction of this tax on the basis of progressive rate structure is not enough. The general property tax is levied on the basis of the annual value of holdings which according to law has to be reassessed every five years.

In a developing economy the annual value of holdings is bound to increase as a result of rising prices, the implementation of local development schemes and the growing tempo of urbanisation and influx of population into the urban areas. Therefore for the mobilisation of additional resources it is of vital importance that reassessment of the annual value of holdings be undertaken every five years to recapture the plough back into municipal funds an increasing proportion of the expanding property values. The increasing property values may be created, to a large extent, as a result of the operation of social forces in a planned economy and therefore the public authorities are fully justified in ploughing back an increasing proportion of the rising property values for the financing of their expanding developmental needs. The reassessment of the annual value of holdings must be made to synchronise with every five year, so that at the beginning of every five-year plan property values are reassessed and the reassessments are made effective in the first-year of the plan so that more resources are raised. But revision of annual value must be impartially and effectively done.

Improved Tax Administration

But apart from an impartial and independent reassessment of annual values it is also necessary that the annual values as fixed by the valuation department are promptly and effectively enforced by the municipal boards and this requires an incorruptible, independent, efficient and courageous machinery of tax administration and tax collection at the municipal level. For that this the entire machinery should be placed under the over all control of a chief executiv officer who would be free from political influence and pressures and who would carry on the tax administration efficiency and effectively. This executive officer must be a man of rich administrative experience, honest and wide knowledge of affairs. Any cases of misappropriation of funds and defalcation of tax money collected are brought to the notice of municipal authorities they should be strictly dealt with.

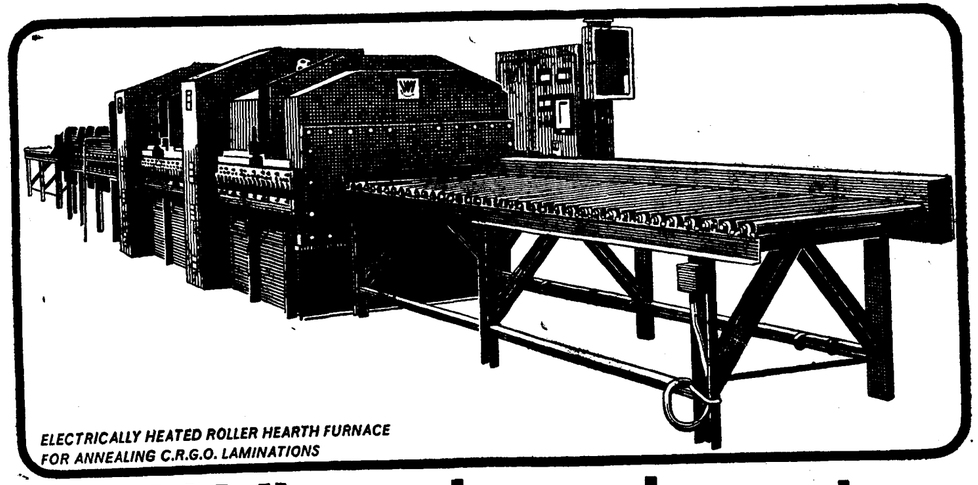
Apart from above there exists considerable tax-payers resistance to local taxation which is partly due to the lack of tax-payer morality and honesty and partly due to the consciousness that local resources are not being put to the best possible use. In case of failure of payment of the tax the coercive methods of tax realisation should be promptly and effectively used as provided by the law. If such measures are promptly undertaken tax arrears will not accumulate and tax demands will not become time-barred. A change in the psychology of the tax payers at the municipal level is also of vital importance for the mobilisation of a substantial volume of resources through the general property tax. Their attitude must be more cooperative and helpful to the municipal administration. But at the same time the municipal administration must create an impression on the mind of the tax payers that the public expenditure policy is being efficiently carried out, wastes are being avoided and maximum and best use is being made of the resources.

Accelrating Economic growth

There are two views in the economics of public finance relating to the role of grants-in-aid. The first view is based upon the redistributive ideals of public finance as defined in terms of the Pigovian principle. It points out that the case for inter-regional transfers of resources is based upon the application of the fundamental principle of public finance to the special conditions where a number of independent fiscal systems operate simultaneously and where there exists a marked heterogeneity in the levels of development of the different regions. Thus in this context the norm of operation of the apparatus of public finance is the maximisation of aggregate social welfare in the economy as a whole.

But according to the second view of grants-in-aid it is pointed out that in a developing economy grants-in-aid should not be intended to achieve equalisation. The objective of inter-regional transfer of resources should be one of promoting the rate of economic growth. From this point of view grants-in-aid must be intended to accelerate the rate of growth of the economy and resources should be transferred to those areas and regions which have increased possibilities of development and which can make a better use of the grants because of all the complementary resources available there. Thus the objective of equalisation comes in conflict with that of promoting economic development. The consideration of allocative efficiency demands that the objective of equalisation should be subordinated to that of accelerating the rate of growth.

But from the larger social point of view particularly in a country wedded to the ideal of socialistic society equalisation especially with regard to basic social services such as education, public health, medical services etc. should constitute the principal aim of the policy of grants-in-aid. Such a policy will



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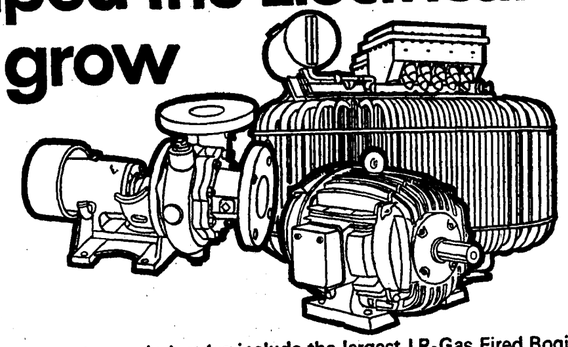

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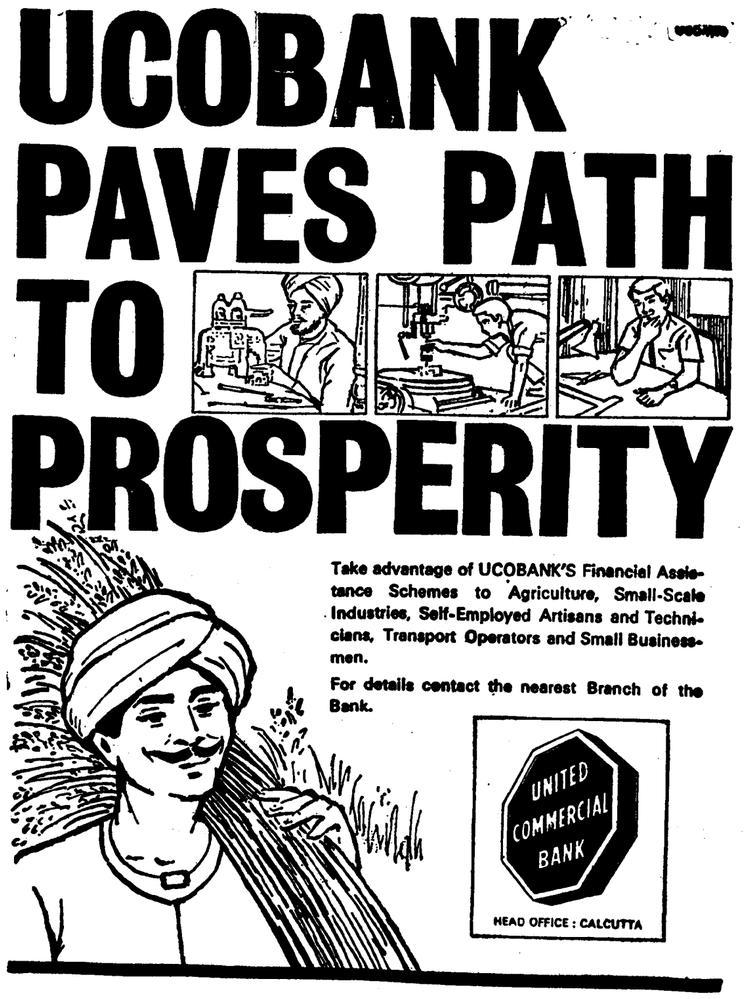

result in raising the standard of performance of the poorer local bodies, raise their resource potentials and by the development of infrastructural investment set the process of cumulative economic progress in operation. In a democratic country the existence of large inter-regional disparities in the standards of performance with regard to basic social services poses an explosive political problem which cannot be viewed with equanimity.

Proper Utilisation of Grants

Municipal bodies do not operate on the basis of a planned public expenditure policy formulated in the context of a five-year plan. Therefore their public expenditure policy is operated on the basis of their annual budgets. Whenever grants in larger amounts are received they are not able to utilise them within a particular time schedule because they have no blueprints of the schemes fully prepared and worked out with them. As a result a large portion of the grants remains unutilised in that particular year. Secondly, the municipal bodies are not sure of the volume of grants they would receive in a particular year. As a result they are not able to follow a programme of development on a stable basis. There is a tendency on the part of the municipal bodies to encroach upon the unspent amount of grants in order to meet their budgetary deficits. Specific purpose grant given by the government should not be diverted to some other purpose.[9]

The problem can be solved if each of the municipal bodies operate on the basis of a five-year plan and the state government makes a commitment in advance for meeting a definite portion of the financial resources required for the municipal plan in the form of grants. This will impart an element of certainty into the municipal finances which will make planning of public expenditure at the local level possible. The volume of grants to be made to each of the municipal bodies should also be related to their performance in the spheres of public expenditure and resource mobilisation. If such a policy is followed an incentive will be provided for a larger mobilisation of resources and for the achievement of efficiency in public expenditure at the municipal level.

The loan policy of the state government in relation to the municipal bodies has not been based so far on a consistent logical and rational basis. As a result they have not been able to plan their expenditure policy on any rational basis. Loans to the municipal bodies have been extended largely for financing productive schemes. A policy of giving loans for general purpose is not compatible with the best allocation of resources because such loans are utilised for financing current expenditure of these bodies and therefore it becomes difficult for them to repay such loans. Even with regard to loans given for specific purposes the full amount given in a particular year has not been utilised and a portion of it has tended to be carried over to the subsequent years. This has been partly due to the fact that the municipal bodies have no well formulated schemes in hand and partly due to slackness in municipal administration. In many cases it has been found that loans have been received by the municipal bodies not in the beginning of the financial year but when the financial year is coming to a close or is quite advanced. Therefore during the remaining period of the financial year it becomes difficult for the municipal bodies to make a full utilisation of the loans borrowed. It has also been found that the municipal bodies have not been able in many cases to repay the loan instalments and the interest on the loans and as a result a large outstanding amount of the loans has been accumulating.

Assurance of Finance

There are two aspects of the problem of loan finance of the municipal bodies. In the first place the municipal bodies must operate on the basis of a five-year plan and there should be complete blue prints of schemes ready with the municipal bodies which have to be financed with the help of loans borrowed from the state government. Secondly, the state government must allocate the volume of loans to the municipal bodies on a rational and consistent principle and the volume of loans to be available to them must be assured to them in the beginning of the plan. If this is done the municipal bodies will be able to plan a better use of their resources and to follow a planned policy of public expenditure. At the same time these bodies must see to it that loans are entirely utilised for the purpose for which they have been given and there should be no diversion of funds. Besides this, the loans must be utilised largely for productive purposes which would enable them to repay the loans borrowed. Hence it is desirable to have a coordinated loan policy in which the interests of the union government, the state governments and the local bodies should be considered together.[10]

Thus in order to stabilise the basis of democracy in this country it is necessary that the finances of the municipal bodies be placed on an even keel. In order to achieve this it is important that their resource potentials should be fully utilised and the flow of resources from the state government to the municipal bodies be related to the implementation of a five-year plan at the municipal level.

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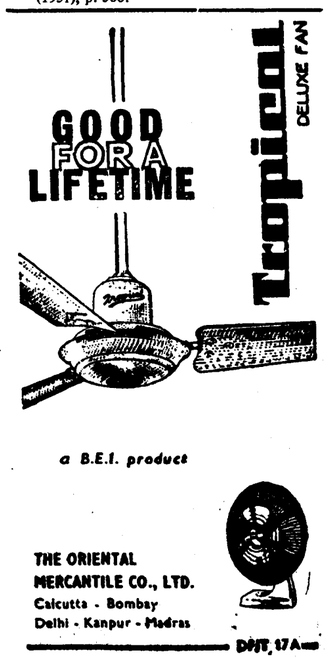

WINDOW ON THE WORLD

Public Expenditure Trends in OECD Countries—II

JOSSLEYN HENNESSY

LONDON :

AN IMPORTANT new study by the OECD's Working Party No. 2 shows that in all OECD countries government expenditure has been rising faster than total production and that everywhere the main push has come from expenditure on education, health and welfare.

Last week I summarised here a preview by Miss Mary Garin-Painter, (published in the latest issue of the *OECD Outlook's Occasional Studies*, 2 rue Andre Pascal, Paris 16, France) of the Working Party's new data covering the general growth of government expenditure and its components between 1955/65. This week, I summarise Miss Garin-Painter's review of expenditure on education, health and social security and the factors underlying it.

Government Expenditure by Function

To investigate the factors making for the rising share of the government sector countries were asked to supply figures for 1955 and 1965 for nine functional categories, cross-classified into six economic classes in both current and constant prices. Fourteen countries replied, but those from Canada, Italy, Ireland, Portugal and Turkey were too incomplete to be used.

For Austria, France, Japan, the Netherlands, Norway, Sweden, Switzerland, the UK and the USA, there were some gaps which hamper comparison. The tables also show that not all countries were able to supply data for the same years. Only Austria and Sweden submitted data according to the definitions of the system of National Accounts (SNA). Absence of figures on capital transfers and loans from countries' returns mean that even total outlays cannot be compared. By function, no comparisons at constant prices have proved possible.

Despite these difficulties, the data presented are a first step toward meaningful international comparisons. This material is summarised in Table 5, showing public expenditure in each of nine functional categories as a percentage of GNP.

Institutional differences among countries, particularly in the handling of health insurance, affect the distribution of expenditure by economic class. Tables 6-9 give distribution for total government expenditure, and for expenditure on education, health and social security, respectively. They show that an inter-country comparison based only on current expenditure on goods and services would give a distorted picture of the relative importance of public spending: such spending accounted for only about a third of the total in Austria, France and Norway, but was as much as 60 per cent of the total in the USA (Table 6). The major reason for this difference is transfer payments. While these payments represent a redistribution of income rather than a direct use by the government of national output, the distinction often has, particularly in government health programmes, little economic significance. In France, e.g., the government's contribution to individual medical care is made by reimbursing private expenditure, and transfers account for some 85 per cent of total government expenditure in this field. In the UK, on the other hand, doctors are paid directly by the government, and government spending on goods and services amounts to 90 per of total (Table 8).

Education, Health and Social Security

Inter-country differences in type of expenditure are less marked in education and social security (Tables 7 and 9). In all countries, teachers' salaries are the most important part of education expenditure, and social security and welfare programmes are almost entirely financed by transfer payments — largely old-age and retirement benefits.

Table 10 shows the importance of government in educational and health services. The role of government varies but generally increased. The government provides directly all, or almost all, education in Austria, the Netherlands, Norway and Sweden; 70-80 per cent in France, Japan, the UK and the USA; but only a little over half in Switzerland. When transfer payments are added to public expenditure on goods and services, the share of education financed by the government is even higher. Sometimes it exceeds 100 per cent, because government scholarships are used not only for tuition but also to pay the student's living costs. (Classified in national accounts as private consumption of food, housing, clothing, etc., and not as expenditure on education).

In all countries except the UK, the government's share in total health expenditure was less than in education —much less in the United States, as government reimbursement for private medical treatment had not begun. Note that in Norway the government has charge of more of current health expenditure than tables indicate, as fees are charged for many services. These fees are considered private expenditure and are netted out of government current spending; in 1965 almost 60 per cent of the current expenditure actually carried out by government was covered by these fees. In the UK, the authorities also charge some fees, similarly netted out, but the amounts are much smaller.

A second type of analysis, made possible by this new material, is to examine the importance of these services (defence and health) in the whole economy. To indicate this, the sum of public and private consumption expenditure on each service is expressed as a percentage of total and private consumption (Table 11). Social security and welfare expenditures are not included, as a number of countries did not report private spending (the comparable private pension plans, and private welfare payments should be the expenditure of charitable institutions. Neither is normally reported separately in national accounts).

Here are the main points which emerge from this analysis of the shares of total consumption (public plus private) absorbed by defence, education and health: defence ranged from 1.5 per cent in Japan in 1965 to 9.5 per cent in the USA. Education in 1965 or 1966 accounted for five to seven per cent in all countries, except Austria where it was only 3.5 per cent. Everywhere except in the Netherlands it rose. The use of the resources for health also rose in all countries, ranging by 1965 or 1966 from 4.5 per cent in the UK and 5.5 to 6.5 per cent in Austria, Norway, Switzerland and the USA to 9.5 per cent in France and Sweden.

Table 12 reveals the increasing role of social security payments — these transfers are shown as a percentage of private consumption. Their importance in financing private consumption varied from seven per cent in the USA (1965) to 20 per cent in Austria (1966).

The "Industry" Function of Government

The data are less comparable for shares of "industry" functions (housing and community amenities, agriculture, communications and utilities, roads and transport) because the two classes of expenditure omitted, capital transfers and loans, are more important in these fields. Such as they are, however, the figures show relative decline in the already small shares of agriculture and communications and increase in roads and transport. The figures for housing and community amenities suffer most from the lack of data on capital movements: their inclusion would, for example, increase Austrian expenditures in 1966 by 80 per cent, the Netherlands in 1965 threefold, Norway 1966 by 55 per cent, Switzerland in 1966 by 133 per cent (including only capital transfers) and, by contrast, the UK in 1965 by only 14 per cent. These figures reflect differences in methods of subsidising housing: UK support takes the form of subsidised rents for the large stock of publicly built and owned houses. If data on capital transfers were available for Sweden, Switzerland and the USA it would be seen that support to this sector is higher in these countries than Table 5 suggests.

Table 13 shows some of the factors responsible for the rising importance of government spending and suggests that the underlying forces are similar in most OECD countries. In most countries, the economically most dependent age groups (under 6 and over 65), particularly the older age group, have been increasing faster than total population; urbanisation has been continuing, increasing the need for public transportation, public housing and other infrastructure, and social services; population receiving education has been rising more rapidly than total population, particularly in the more expensive secondary and higher levels; the number of teachers has been rising faster than the number of pupils in efforts to improve the quality of education; the numbers using medical services have been increasing faster than population; housing built with government aid have risen more rapidly than population or GNP.

Basic changes in modern economies require certain services to be supplied in common, and more education to equip people to deal with modern technology. The bulk of educational expenditure was already the responsibility of governments at the beginning of the 10-year period under review, and it is likely that educational expenditures will continue to increase for some time to come, in order to reach more of the population for a longer period and to improve quality. In addition, the social objective of distributing more evenly the benefits from increasing national wealth boosts public expenditure.

Most governments now frame plans for the major components of public expenditure three to five years ahead. These programmes reflect social choices between public and private expenditure, and between different public services. The scale of the decisions to be made underlines the need for them to be founded on reliable statistics. The probability of strongly rising demand for some public services suggests also that governments could benefit from well-informed public discussion of spending programmes and their economic and social implications. They could also benefit from comparison of the experience of different countries, since most face similar issues and problems. Miss Garin-Painter's analysis of Working Party No 2's pioneer study reveals the importance of improving the quality and international comparability of these public expenditure statistics.

(Concluded)

TABLE 5

DISTRIBUTION BY FUNCTION OF GOVERNMENT CURRENT EXPENDITURE PLUS INVESTMENT[a] AS PERCENTAGE OF GNP.

		Defence	Education.	Health	Social security	Housing and community amenities	Agriculture	Communications and utilities	Roads and transportation	Others	Total[b]	Total plus capital transfers and net loans
Austria	1957	1.3	3.0	3.5	10.9	1.9	1.1	0.4	3.6	6.4	32.1	38.6
	1966	1.3	3.9	4.1	14.1	2.2	1.4	0.1	3.8	7.1	38.0	45.4
France	1966	4.2	5.4	4.4	11.2	0.8	1.1	3.1	..	6.8	36.9	41.4
Japan	1955	1.1	4.2	1.0	0.3	0.5	1.5	..	0.6	8.4	20.5	21.4
	1965	1.0	4.0	1.7	4.2	0.4	1.3	..	1.8	7.4	21.8	22.7
Netherlands	1955	5.4	3.5	6.8		0.7	0.7	..	1.0	7.9	26.0	32.3
	1965	3.8	6.2	13.3		0.6	0.7	..	1.5	8.4	34.4	39.8
Norway	1957	3.9	3.8	1.5	8.4	0.5	2.4	0.9	2.5	5.5	29.5	33.4
	1966	4.1	6.1	2.0	12.1	0.1	0.6	0.8	3.3	7.7	36.8	42.4
Sweden	1955	4.7	4.3	3.2	6.9	2.0	0.1	1.6	3.1	5.0	31.0	..
	1965	4.1	6 0	4.3	9.2	2.7	0.1	1.3	3.3	7.2	38.2	..
Swtizerland	1961	2.7	2.8	1.4	5.5	..	1.1	2.8		4.9	21.2	22.3[c]
	1966	2.5	3.5	1.7	7.0	0.1	1.1	4.2		5.6	25.6	26.6[c]
United Kingdom	1955	8.0	3.1	3.0	5.6	3.3	1.4	0.2	0.9	6.6	31.9	32.4
	1965	5.9	4.4	3.5	7.1	3.5	0.8	0.2	1.8	6.9	34.1	35.5
United States *d*	1955	9.6	3.1	0.9	3.4	0.1	0.8	0.4	1.6	4.4	24.3	..
	1965	7.5	4.3	1.2	4.8	0.3	0.7	0.4	1.9	6.0	27.2	..

(*a*) Current expenditure on goods and services, investment of general government and of unincorporated government enterprises, subsidies, current transfers and interest payments.

(*b*) Total expenditure as a percentage of GNP is not always quite the same as in Table 4 because most countries were not able to follow the standard definitions in their breakdowns of expenditure by function. See Annex for some of the differences.

(*c*) Excludes loans and net acquisition of securities.

(*d*) Includes investment of public corporations (small); excludes depreciation. Surpluses of Federal Government enterprises are netted out of expenditure.

TABLE 6

BREAKDOWN OF TOTAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASS

(Percentage of total outlays.)

		Current expenditure on goods and Services			Gross fixed capital formation	Subsidies, current transfers and interest	Capital transfers	Loans made and net acquisitions of bonds and corporate equity securities
		Wages and salaries	Others	Total				
Austria	1957	17.9	18.0	35.9	9.0	38.3	3.4	13.3
	1966	16.5	16.3	32.8	10.7	40.1	2.8	13.6
France	1966	22.1	11.3	33.4	8.3	47.6	4.5	6.2
Japan	1955	..	...	51.9	21.0	22.7	0.6	3.8
	1965	..	...	44.7	27.8	23.6	0.6	3.3
Netherlands	1955	25.4	17.1	42.5	11.1	27.0	6.9	12.5
	1965	27.0	10.6	37.5	11.9	37.1	0.7	12.8
Norway	1957	..	..	33.3	13.5	41.0	..[a]	12.2[a]
	1966	..	..	31.7	14.3	39.9	..[a]	14.1[a]
Sweden	1955	28.1	25.2	53.3	25.2	21.4	..	..
	1965	27.7	21.3	49.0	24.6	26.4	..	..
Switzerland	1961	21.0	22.4	43.4	12.0	39.8	4.8	..
	1966	21.8	21.5	43.2	14.9	38.0	3.7	..
United Kingdom	1955	..	..	51.6	8.4[b]	36.9	1.6	1.5
	1965	26.0	20.3	46.5	11.9[b]	37.9	1.4	2.3
United States	1955	33.0	27.8	60.8	13.7[c]	25.5	..	..
	1965	32.9	26.3	59.2	13.0[c]	27.8	..	..

(*a*) Capital transfers to public corporations included with net loans.
(*b*) Includes changes in stocks and work in progress (—1.6 percentage points in 1957 and 0.2 in 1965).
(*c*) Includes stockpiling of agricultural commodities (1.2 percentage points in 1955).

TABLE 7

BREAKDOWN OF GOVERNMENT EXPENDITURE ON EDUCATION BY ECONOMIC CLASS

(Percentage of total outlays on education.)

		Current expenditure on goods and Services.			Gross fixed capital formation	Subsidies, and current transfers	Capital transfers	Loans made and net acquisitions of bonds and corporate equity securities
		Wages and salaries	Others	Total				
Austria	1957	57.7	18.7	75.4	13.3	7.7	1.2	1.4
	1966	47.0	15.6	62.6	23.2	10.6	2.9	0.7
France	1966	60.1	15.3	75.4	19.2	5.1	0.2	0.1
Japan	1955	..	..	79.7	18.1	1.9	..	0.3
	1965	..	..	77.9	19.7	2.3	..	0.1
Netherlands	1955	64.1	14.5	78.6	19.7	0.9	..	0.7
	1965	62.6	12.8	75.5	17.7	5.8	0.2	0.8
Norway	1957	..	..	71.1	23.9	5.0	..	..
	1965	..	..	67.2	25.8	7.0	..	..
Sweden	1957	54.2	23.5	77.7	18.7	3.6	..	..
	1966	50.8	21.6	72.4	18.4	9.2	..	..
Swtizerland	1961	54.8	12.7	67.5	18.7	11.5	2.3	..
	1966	58.1	12.5	70.5	19.7	7.7	2.1	..
United Kingdom	1955	..	..	66.4	13.8	18.5	1.3	..
	1965	44.8	18.4	63.1	10.6	20.1	6.1	0.1
United States	1955	54.7	16.4	71.1	22.7	6.2	..	..
	1965	64.0	17.6	81.6	16.9	1.5	..	..

TABLE 8

BREAKDOWN OF GOVERNMENT EXPENDITURE ON HEALTH BY ECONOMIC CLASS

(Percentage of total outlays on health)

		Current expenditure on goods and Services			Gross fixed capital formation	Subsidies, and current transfers	Capital transfers	Loans made and net acquisition of bonds and corporate equity securities.
		Wages and salaries	Others	Total				
Austria	1957	16.8	59.5	76.3	3.8	18.7	0.7	0.5
	1966	20.1	57.7	77.8	7.0	14.2	0.6	0.3
France	1966	6.3	4.5	10.8	1.3	86.4	1.3	0.2
Japan	1955	..	..	76.8	17.7	2.9	..	0.8
	1965	..	..	59.4	25.8	13.1	..	1.8
Norway	1957	..	..	39.6	25.7	34.7	..	..
	1966	..	..	49.8	19.6	30.4	..	0.1
Sweden	1955	55.1	30.4	85.5	12.6	1.9	..	..
	1965	54.7	28.1	82.7	15.6	1.7	..	..
Swtizerland	1961	38.3	20.7	59.0	14.8	22.8	3.4	..
	1966	43.6	24.1	67.6	16.1	13.5	2.8	..
United Kingdom	1955	..	..	95.8	3.5	0.2	0.5	..
	1965	46.4	45.9	92.3	7.1	0.4	0.2	..
United States	1955	56.8	31.1	88.0	9.1	2.8	..	..
	1965	56.9	32.6	89.5	6.3	4.2	..	..

TABLE 9

BREAKDOWN OF GOVERNMENT EXPENDITURE ON SOCIAL SECURITY BY ECONOMIC CLASS

(Percentage of total outlays on social security)

		Current expenditure on goods and Services			Gross fixed Capital formation	Subsidies, and current transfers	Capital transfers	Loans made and net acquisitions of bonds and corporate equity securities.
		Wages and salaries	Others	Total				
Austria	1957	6.5	9.7	16.3	2.4	80.1	0.5	0.7
	1966	4.5	7.4	11.9	1.3	84.8	0.4	1.6
France	1966	3.5	1.5	5.0	0.8	89.8	0.4	4.0
Japan	1955	..	..	18.4	4.6	77.0	..	..
	1965	..	..	14.2	2.4	82.1	..	1.2
Norway	1957	..	..	7.5	1.9	90.3	..	0.3
	1966	..	..	9.4	1.1	89.3	..	0.2
Sweden	1955	7.2	9.7	16.9	1.2	80.9	..	..
	1965	9.4	6.9	16.3	2.6	81.0	..	..
Switzerland	1961	4.1	8.5	12.6	0.7	86.4	0.3	..
	1966	2.9	7.6	10.5	0.7	88.4	0.3	..
United Kingdom	1955	..	..	8.2	0.4	91.4	..	..
	1965	3.8	3.7	7.5	0.7	91.8	..	..
United States	1955	2.8	2.6	5.4	..	94.6	..	..
	1965	3.3	6.0	9.4	..	90.6	..	..

TABLE 10

GOVERNMENT EXPENDITURE AS A PERCENTAGE OF PUBLIC PLUS PRIVATE EXPENDITURE[a] IN EDUCATION AND HEALTH

		Government current expenditure on goods and services as % of public plus private current expenditure on goods and services.		Government fixed capital formation as % of public plus private fixed capital formation		Total government outlays as % of public plus private penditure on goods and services	
		Education	Health	Education	Health	Education	Health
Austria[b]	1957[e]	99.4[d]	65.1	84.1	49.3	108.0	80.1
	1966[c]	99.3[d]	75.1	94.2	75.4	114.1	88.6
France	1966	82.1	8.1	100.0	14.5	108.9	74.9
Japan[g]	1955	64.3	..	82.5	..	68.5	..
	1965	66.2	..	71.4	..	68.8	..
Netherlands	1955	100.0	..	100.0	13.8	101.7	..
	1965	100.0	..	100.0	8.9	107.3	..
Norway	1957[f]	94.6	19.8	100.0	100.0	100.9	44.3
	1966	95.1	23.1	100.0	100.0	103.7	42.5
Sweden	1955	100.0	68.8	100.0	100.0	103.7	73.1
	1965	100.0	71.6	100.0	100.0	110.1	76.2
Swtizerland	1961	48.6	24.8	..	..	..	..
	1966	54.6	31.5	..	..	..	..
United Kingdom	1955	69.4	91.7	84.5[g]	71.4[g]	89.3[g]	91.5[g]
	1965	71.5	93.8	61.0[g]	88.2[g]	94.7[g]	94.0[g]
United States	1955	73.3	20.0	83.2[h]	31.3[h]	80.4[hi]	21.4[h]
	1965	74.9	20.9	84.6[n]	19.4[h]	77.6[hi]	21.7[h]

(*a*) Private gross fixed capital formation includes that of public corporations.
(*b*) General government includes public Chambers of Commerce, labour and agriculture.
(*c*) Includes certain cultural expenses of Central Government; includes expenditure for staff of health clinics linked with universities.
(*d*) Includes promotion of sports. Excludes expenditure of staff of clinics linked with universities.
(*e*) Fiscal years.
(*f*) Local government 1957-58.
(*g*) Fixed capital formation of general government includes net purchases of land and existing assets by sector while that of private enterprises and public corporations includes these net purchases only in the total for all sectors.
(*h*) Fixed capital formation of public corporations is included with fixed capital formation of general government; it is nil or negligible in health and education.
(*i*) The decline between 1955 and 1965 in the percentage of total government outlays to total public and private expenditure on goods and services, reflects the fact that in 1955 there were a larger number of war veterans for whom a special programme of educational transfer payments is available.

TABLE 11

THE SHARE OF DEFENCE, EDUCATION AND HEALTH IN TOTAL CONSUMPTION (PUBLIC PLUS PRIVATE) OF GOODS AND SERVICES

(Percentages)

		Defence	Education	Health
Austria	1957	1.8	3.1	5.5
	1966	1.8	3.4	5.8
France	1966	5.4	6.4	9.8
Japan	1955	1.3	6.7	..
	1965	1.5	7.0	..
Netherlands	1955	7.4	8.8	..
	1965	5.1	6.5	..
Norway	1957	5.4	3.9	4.1
	1966	5.4	5.7	5.7
Sweden	1955	6.1	4.4	8.2
	1965	5.6	6.0	9.3
Switzerland	1961	3.6	5.6	4.8
	1966	3.5	6.6	5.3
United Kingdom	1955	9.3	3.5	3.7
	1965	7.4	5.1	4.4
United States	1955	12.3	3.9	5.1
	1965	9.3	6.0	6.6

TABLE 12

SOCIAL SECURITY TRANSFERS[a] AS % OF PRIVATE CONSUMPTION

Austria	1957	14.06
	1966	20.4
France	1966	20.6
Norway	1957	12.6
	1966	18.2
Sweden	1955	9.2
	1965	13.6
Switzerland	1961	7.9
	1966	10.6
United Kingdom	1955	7.5
	1965	10.3
United States	1955	5.1
	1965	7.1

(*a*) Including any subsidies to welfare institutions.

TABLE 13

GROWTH RATES OF SOME ITEMS AFFECTING PUBLIC EXPENDITURE

(Annual average percentage change.)

	Austria 1957-66	Japan 1955-65	Ireland 1958-65[h]	Italy 1955-65	Norway 1957-66	Netherlands 1955-65	Portugal 1955-65	Spain 1960-65	Sweden 1955-65	Switzerland 1955-65	United Kingdom 1955-65	United States 1955-65
Total population	0.5	1.0	0.1	0.8	0.8	1.4	0.7	0.8[aa]	0.6	1.5	0.6	1.6
Population less than 6 years old	2.6	—2.2	1.4[j]	1.4	9.3	0.8	0.3	—.03[w]	0.1	1.2	2.1	1.1
Population more than 65 years old	2.0	2.7	0.5[j]	2.2	2.5	2.7	2.0	3.3[w]	2.2	2.4	1.3	2.3
Urban population	0.3[a]	2.9	1.7[j]	..	3.6	2.0[e]	..	1.6[w]	1.5	1.6[g]	0.5	5.4
Rural population	0.1[a]	—2.2	—0.6[j]	..	0.8	—0.3[e]	..	0.2	—0.3	1.5[g]	1.1	—0.1
Net immigration (average of the 2 years, % of average total population)	—0.2[b]	..	—0.6[k]	—0.5	0.0	—0.1	0.6	—0.3[xbb]	0.3	..	—1.2	0.2
School population	0.8	0	0.7[l]	1.9	2.7	1.2	2.4	4.6	2.4		0.8	
Primary	0.7	—2.2	0[m]	0.1	1.5	0.3	0.7	3.1	..	..	—0.1	2.6
Secondary	1.3	2.7	5.1[n]	7.0	7.0	5.5	9.7	10.5	..	..	2.5	5.7
Number of teachers	1.4	1.9	1.9	3.6	1.8	2.7	6.2[u]	3.9	4.5	..	2.2	..
Primary	0.7	0.1	0.9[o]	1.6	1.5	1.7	2.9[u]	3.4	4.1	..	0.9	2.8
Secondary	3.5	3.4	4.4[o]	6.4	2.5	6.0	14.7[u]	5.6	5.8	..	3.7	6.2
Students in university and higher education	8.7	6.3	7.7	5.5	14.7	8.1	6.2	8.7	11.6	7.4	5.1	7.7
Students in other education	..	3.8[d]	3.0	..	6.4[q]	4.9	6.8	..	..	..	3.7	5.1
Patients/days in general hospitals	0.4	6.1[e]	..	51.1[p]	1.1	2.7[t]	4.6[ff]	..	1.0	..	..	0.7
Patient/ days in mental hospitals	..	14.3	..	2.2[p]	0.2	0.3[t]	3.9[ff]	2.7[cc]	0.5	—0.1	1.6	—2.6
Patient/days in other specialised hospitals	..	—7.2[f]	..	0.5[p]	5.3	2.7[t]	—1.0[ff]	—1.4[dd]	1.7	0.8	..	—11.3
Doctor's cases	2.4	4.6[g]	..	..	..	..	3.6[gg]	4.1[ee]	..	3.5	0.6	..
Dwellings built with state help	5.3[c]	9.1	12.1	..	2.2[r]	3.0	18.3[g]	15.6	5.3	11.5	—1.8	6.9
Dwellings built without state help	—4.4[c]	9.8	..	..	—2.11	very large[hh]	2.8[g]	29.7	7.4	3.2	6.5	—1.1

(*a*) 1951-1961. (*b*) Average annual immigration 1951-61 as a percentage of the 1957 population. (*c*) 1957-1965. (*d*) Special schools. (*e*) Excluding clinics. Hospitals are defined as those with more than 20 beds. (*f*) Specialised hospitals are those dealing with tuberculosis, leprosy and infectious diseases. (*g*) National health survey data in November 1955 and October 1965 converted into annual all nation data. (*h*) Financial years. (*i*) 1961-1966. (*k*) Annual average 1956-1966 divided by 1961 population. (*l*) Sum of primary plus secondary. (*m*) Number of pupils on rolls at end of school year. (*n*) Number of pupils on rolls at beginning of school year. (*o*) Number of teachers at the end of school year. (*p*) 1955-1964 "Giornate di degenza nell'anno esclusigli instituti dicura privati." (*q*) 1958-1966. (*r*) Dwelling units financed by state housing banks. (*s*) 1958-1965. (*t*) 1955-1964. (*u*) "Professeurs de l'eneignement official" only for 1955. (*v*) 1958-1966. (*w*) 1950-1960. (*x*) Average per cent 1960-1965. (*q*) Urban population is defined as number of people living in towns of over 10,000 inhabitants. Figures for agglomerations do not include suburban communes with less than 10,000 inhabitants.

(*aa*) Mainland, Balearic Isles and Canary Islands; population calculated on 1st July, except for 1950 and 1960 where the figures are those of the Census on 1st December.

(*bb*) Emigration of nationals and variation in the number of foreign residents does not include the return by air of migrants, of which the number is estimated at 900 in 1965.

(*cc*) Number of cases(data incomplete) (*dd*) Patients in maternity homes, (anti-tuberculosis) sanatoria and leproseries (data incomplete). (*ee*) Does not include all the establishments of the country. (*ff*) Number of patients. (*gg*) Sum of the three rows preceding. (*hh*) The number of dewelling built without state help was 2,300 in 1955 and 36,600 in 1965.

World Bank Aid Doubles

H. R. VOHRA

WASHINGTON:

IN A cheerful annual report, the World Bank announces that its combined total of commitments to member countries amounted to $2.297 billion in the year ended June 30, 1970. The amount represented an increase of 22% on the previous years total, itself a record. It also means a doubling on the average of the previous five-year period, 1964-68.

When the World Bank President, Mr McNamara stated two years ago that he intended to increase World Bank's aid 100 per cent, few people ever believed him. His statement was made against the background of an empty IDA treasury and a precipitate decline in American aid. There were also other uncertainties including discouraging performance of many developing countries.

The success Mr McNamara has achieved in reaching his pre-determined goals reveals that he has not only stemmed a decline in aid which at the time seemed possible but in buttressing its loan base. This happy result could not have come about without the influence he yields with rich, industrial countries.

Low Rate of Interest

His most outstanding achievement was the facility with which he negotiated the third replenishment of IDA to inject new funds into the most useful source of development finance at the new high rate of $800 million a year for three years, beginning late in 1971. IDA credits, it may be recalled, bear no interest and only a 3/4 per cent a year service charge. It is a supplementary alternative to the Bank's own loans whose interest rate has risen from 6 1/2 to 7 per cent during fiscal 1970.

During the past 10 years IDA has made 221 commitments totalling $2.773 billion in 55 countries for a variety of purposes which the Bank earlier was diffident to patronise. They included agriculture and education besides transportation, water supply, telecommunications and project preparation. In this way the World Bank has helped to bring under improved cultivation over 22 million acres of land across many Asian and African countries and helped to protect 12.67 million acres against floods. In addition, it has promoted development of land covering, 1, 797 million acres.

IDA has also helped build 15,030 miles of roads in Asia, Africa and Latin Amercia. In four countries it has contributed to the improvement of rail-roads by the provision of more than 5,440 freight cars besides passanger cars and other equipment.

The story of the benefits of IDA is endless. Its achievements are tangible.

Increase in Aid

If IDA has grown in the last one year, so has World Bank's other member, International Finance Corporation, which aids private industry. It made investments totalling $111.8 million in 1970. To give it further sure base, the Bank made a loan to it of $200 million during the year under review which incorporated and replaced $100 million loan made in 1966.

One of the events of the year was the publication of the Bank-sponsored Pearson Report. Its main conclusion was that development was a success and needed to be supported more firmly than before. So far as the Bank is concerned this was like carrying coal to Newcastle. It has pursued the main recommendation of the report even before it was published greatly enlarging the quantum and scope of its loans and credits.

The Bank has been rewarded with the encouraging result showing that the combined gross domestic product of the developing countries increased 6.7 per cent in 1969. Their exports rose nine per cent. The Bank concurs with the Pearson Report that "The developing countries are becoming increasingly able to use new capital, public and private, productively as their managerial and organizational capacity increases and as infrastructure projects initiated in earlier years come to fruition."

The report also enumerates continuing "constraints" to development. They include:

(a) the problem of access to markets of developed countries;

(b) pressing need for high priority development projects in developing countries and need for better employment of their citizens;

(c) inadequate mobilization of demostic resources and inadequate flow of external assistance and

(d) the serious debt servicing problem with disturbing implications for the future.

The Bank announces that it expects its activities to increase still further during the years to come and it counts on the cooperation of the developed and the developing countries.

The review dilates on the Bank's relatively new spheres of interest—agriculture, education, population, tourism-besides the old subjects transportation, electric power, water supply, telecommunication and industry which have occupied its attention since its inception.

Agriculture occupies the prime of place. Bank and IDA lending for agricultural development rose sharply to a new record level in fiscal 1970: 32 loans and credits were given and their combined value totalled $412.9 million during the year. The gross total of funds committed for agriculture amounted to nearly $2,000 million. About 40% of this total was lent in the last two years.

The report says: "The rapid expansion of lending (to agriculture) reflects not only the special emphasis which the Bank has decided should be placed on this sector but also the recent emergence of encouraging new opportunities for the productive use of agricultural finance."

Financing Education

These opportunities include development of new high-yielding foodgrain varieties, the establishment of effective institutions for channeling investment credit to individual farmers and the successes achieved in programmes for the profitable expansion of livestock production."

Financing education likewise has received new impetus. About half of the total of $320 million allocated to education since 1962, was loaned in the last two years.

It has come to be realized that there is need for improved educational facilities throughout the developing world. The shortage of trained manpower is one of the major impediments to economic growth in many countries.

The Bank believes, says the report, that improved educational facilities, based on careful planning of education systems to make them relevant to students' subsequent employment opportunities and countries' needs for skills "are among the soundest forms of investment to be made in the developing world."

The Bank's philosophy has the imprint of its President who has expressed similar sentiments in the past. The Bank's educational lending is naturally attuned to promoting such educational processes which are closely connected with economic progress. It regards disproportionate emphasis on university education as a luxury which developing countries cannot afford.

Among the newest areas for lending is population control. The Bank says that the high rates of population growth in many countries "can severely impede their economic development efforts." Its new population Projects Department is a reflection of this concern and the belief that greater awareness is needed of the problems associated with excessive population growth. It is ready to assist member governments seeking help in developing population control policies or improving existing programmes.

Its first lending on this score was to Jamaica. It amounted to $2 million in June this year. It will help develop a family planning programme for women who have just given birth to a child. It will be used to extend Jamaica's largest maternity hospital. Likewise, a five-year family planning programme has been recommended to Indonesia. But before it enters the field in any big way the Bank proposes to improve its own expertise on the subject.

Another new subject of interest to the bank is tourism, already a major source of foreign exchange earning for many developing nations. It could acquire similar importance for others. The Bank's approach to tourism is also guided by another consideration. Tourism is labour intensive. Its development can mitigate unemployment facing many developing countries. The Bank has, therefore, established a Tourism Project Department which is busy preparing sound projects and offering its expertise wherever it is needed.

The established beneficiaries of World Bank Loans fared better than before due to larger available resources. These are :

(1) *Public Services* which received Bank and IDA loans totalling $1.315 billion, a notable increase over last year's total. This is due to the Bank's recognition that institution building is as important as infrastructure.

(2) *Transportation* received loans and credits totalling $660 million. They were made to 28 countries. This sum marked another sharp increase over that of the previous year.

(3) *Electric Power's* share of loans and credits totalled $537.3 million in 1970. Power lending remained a major sector of the Bank's attention.

Other substantial beneficiaries are

DOUBLE EXPORT HONOURS FOR Caprihans

The Plastic and Linoleum Export Promotion Council has awarded two shields to Caprihans India Private Limited for their export achievements during 1969-70. Caprihans hope to extend their award-winning performance over the coming years.

SUNGLOSS
Decorative Surfacing... the Council's Shield for the leading laminate exported during 1969-70.

sunflex
...the Council's Shield for the leading PVC sheeting exported during 1969-70.

SUN

water supply and sewage, telecommunications, and, of course, industry.

Judging growth in developing nations the Bank comes to the heartening conclusion that measured in current dollar terms it rose at a faster rate in 1969 than in 1968 and previous years both in overall and per capita terms.

Preliminary data from 74 countries indicate an average six or seven per cent rate of growth in 1969, an improvement on the 5.9 per cent recorded in 1968 and 5.1 per cent average for 1961-1965.

With population growth holding at 2.5 per cent annually, the per capita increase is estimated at 4.1 per cent for 1969 as compared with 3.3 per cent of the previous year and 2.5 per cent during 1961-65.

As the average price level is estimated to have risen by close to three per cent for the world as a whole, expansion in real terms was probably hel dback to 3.5 per cent overall and to some whatover uoe per cent on a per capita basis.

IFC Extends its Activities

DURING THE year ended June 30, 1970, the International Finance Corporation (IFC) continued to expand the volume and scope of its activities. It made investments in enterprises in less developed countries amounting to $111.8 million, or approximately 20 per cent, higher than a year previously. Others invested $381 million in these businesses. These ventures thus provided a total of $493 million of new investment.

There were 29 commitments, 21 of them of $1 million or more, to 28 enterprises in 19 countries in Africa, Asia and the Middle East, Europe and Latin America and one to a regional investment institution. The IFC broke new ground by helping organise and finance a channel for investment by private enterprise in Yugoslav companies, the International Investment Corporation for Yugoslavia (IICY), and by a loan to increase the resources of a privately owned, regional institution: ADELA Investment Company, SA.

Commitments made in the year under review raised IFC's total investment to $476.5 million in 153 businesses in 43 countries. Others have invested $2,132.7 million in. these ventures, making a total of $2,609.2 million.

The IFC's net income rose by more than a fifth to $9.2 million. Over the years, the return on investments in IFC's portfolio has averaged 9.08 per cent per annum.

Nineteen of IFC's investments in the fiscal year ended June 30, 1970, were in manufacturing, five in development finance institutions, two in mining, two in tourism and one in a telephone company. Some $80.0 million, or 72 per cent, of its $111.8 million total commitments during the year helped finance manufacturing enterprises. Taken together with investments of some $13.5 million in financial institutions operating at the local, national or regional level and using their funds chiefly for industrialization projects, and $12.4 million committed to mining projects, this means that approximtely 95 per cent of the funds committed by the Corporation in the year under report was directed towards industrial development.

Of the $493 million committed jointly by IFC and others in fiscal 1970, some $219 million went to establish 13 new enterprises. Approximately $274 million was for the expansion of 15 existing enterprises, including replenishment of the foreign exchange resources of three development finance institutions.

The Corporation's manufacturing investments in fiscal year 1970 included enterprises in the following fields: paper and paper products, automobiles, glass, ceramics, cement, textiles and fibres, polyethylene, aluminum and fertilizer.

In all, IFC made investments in 19 countries in fiscal year 1970. It made its first investments in Ceylon, the Republic of China, the Democratic Republic of the Congo and Yugoslavia. Its other investments were made in: Brazil, Chile, Colombia, Ethiopia, Greece, Honduras, India, Kenya, Korea, Malaysia, Mexico, Nigeria, Philippines, Tunisia and Turkey.

IFC continued in fiscal year 1970 to emphasise the identification and promotion of projects. This included assistance in the organization and financing of East Africa's first large-scale paper industry, Panafrican Paper-Mills (EA) Ltd and the International Investment Corporation for Yugoslavia, During the year work continued on setting up a cement plant in Indonesia and the Corporation made a second investment of $37,500 in a pilot company, Compania Pino Celusoa de Centro America, SA (Copino), which is seeking to develop a large pulp and paper industry to utilise the resources of Honduras' Olancho forest preserve.

During the year IFC helped establish two development finance institutions and helped replenish the capital of three others. Its investments in these five institutions came to $31.5 million.

One of the new institutions IFC helped set up during the year, the International Investment Corporation for Yugoslavia (IICY), is a pioneering venture that has exceptionally broad financial support. The IICY was established to organise joint ventures between private and Yugoslav enterprises, including arranging the financing of those projects as necessary. Fifteen Yugoslav banks supplied $3 million of IICY's $12 million share capital and IFC $2 million. Thirty-nine banks in western Europe, the United States and Japan supplied the remainder.

The other new investment institution IFC helped finance during the year, Societe Congolaise de Financement du Development, (Socofide), extended the Corporation's activities to the Democratic Republic of the Congo, a new member of IFC. Socofide also has a wide financial base. The Congo government and local investors subscribed 55 per cent of Socifide's $4 million capital stock. IFC subscribed $750,000, or approximately 19 per cent. The remaining 26 per cent was subscribed by 13 financial institutions in Belgium, France, Germany, Italy, Japan and the United States. The International Development Association, a member of the World Bank Group, extended a $5 million credit to Socofide.

In supplying additional capital to established investment companies, IFC made its first commitment to a privately financed international institution operating regionally. This was a $10 million loan to ADELA Investment Company, SA, which provides capital, entrepreneurial and technical help to private enterprises in Latin America.

IFC joined other investors in increasing the capital stock of two development banks: Societe Nationale d' Investissement (SNI), of Tunisia, to which IFC committed $628,572 for new equity, and Corporation Financiera de Caldas, of Colombia where IFC took up $112,182 of a new stock offering.

In addition to co-operating with and supporting local development finance companies, the IFC collaborated with the following multinational institutions in providing capital for investment in developing countries during fiscal year 1970: ADELA Investment Company, SA, African Development Bank, Banco Centroamericano de Integracion Economica, East African Development Bank and Private Investment Company for Asia (PICA) SA.

The IFC investment activities in 1970 provided support for the efforts of its developing member countries to expand the capacity of their private sector to produce goods and services, to create new employment opportunities for their growing populations, to strengthen their foreign trade position and to build new financial institutions.

Knowing how to do it is what we aim at—how to do it efficiently, economically with our own indigenously developed technology.

How to manufacture the full range of Catalysts, how to design a fertilizer plant, how to handle the complex technicalities—in short, how to plan a complete project from feasibility to fulfilment.

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TO DO IT...

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THE FERTILIZER CORPORATION OF INDIA LIMITED

IMPORTED FERTILIZERS

attractive terms for buyers

The Government of India have got ready fertilizer stocks of **Ammonium Sulphate, Urea, Ammonium Nitro Phosphate, Di-Ammonium Phosphate, Calcium Ammonium Nitrate, Ammonium Chloride and NPK** at various depots all over the country.

These stocks of imported fertilizers are distributed through the State Governments, cooperatives, manufacturers and dealers.

Facilities : The Government of India are now extending the following facilities to these buyers :

1. 60 days' credit will be provided to all manufacturers of fertilizers, cooperatives and to private parties who will lift 100 tonnes or more of these fertilizers at a time. They will open an irrevocable letter of credit with a nationalised bank;
2. Supply will be made to the cooperatives at a rate applicable to the State Government; and
3. The consignees may themselves arrange transportation of the fertilizers purchased by them subject to the condition that the Government will reimburse the expenses to the extent of railway freight on production of a certificate in the prescribed form from the District Agricultural Officer or any gazetted officers nominated by him verifying the transportation of the fertilizer to the destination and also an attested copy of the receipt in case of transport by rail.

Supply Depots : The fertilizer stocks are mostly stored in the depots of the Food Corporation of India, warehouses of Central Warehousing Corporation and State Warehousing Corporations of UTTAR PRADESH, HARYANA, PUNJAB, RAJASTHAN, GUJARAT, MADHYA PRADESH, MAHARASHTRA, TAMIL NADU, ANDHRA PRADESH AND MYSORE.

Prospective buyers of the Pool fertilizers may contact the Managing Directors or the local officials of these Corporations. They can also contact :

THE UNDER SECRETARY (Fertilizer),
MINISTRY OF FOOD & AGRICULTURE
(DEPARTMENT OF AGRICULTURE)
KRISHI BHAVAN, NEW DELHI

davp 70/329

The moving finger writes

INAUGURATING THE construction of the Salem steel project in Tamil Nadu last week, the Prime Minister said that this particular project would have been sanctioned three years earlier but for the drought conditions that had been prevailing in that state. Here is clear proof that Mrs Gandhi has ceased to care what happens to her or her government's credibility. While one could easily see that she has an interest in countering the charge that the central government has approved the Salem project as part of the price the Prime Minister and her group feel that they must pay for the support of the DMK in Parliament, one must also wonder why she expects the public, or rather the informed section of it, to accept without demur her convenient re-writing of history, past or current. If the steel project in question had not been sanctioned earlier, despite the best efforts of Mr R. Venkataraman, who was Minister for Industries in the Congress ministry of those days, it was only because there was no overwhelming political necessity for the central government then to yield to a demand the economic or technical grounds for which had not been firmly established. Now that the Salem project has become a reality, it would be pointless to revive old debates and it would be more to the purpose to express the hope that the actual implementation of the project at least would be strictly on the lines of optimal technical and economic soundness within the limitations of the project concept itself.

* *

By sacking three ministers, one of them a party stalwart, Mr Karunanidhi, Chief Minister of Tamil Nadu, has only confirmed the fact that the doubts in the public mind about the integrity, financial or other, of the DMK leadership, whether at the level of government or at the party level, have grown too strong to be lightly treated as a political factor. The question now is whether the sacrificial offerings which Mr Karunanidhi has been obliged to make at the altar of an aroused public opinion would be accepted by the people of the state as a sufficiently far-going cleansing process. In my view, the pruning of the ministry has left the DMK more shaken than purified.

The Chief Minister himself is too cynical a politician to persuade himself into believing that the DMK has emerged the stronger for recent developments in its internal politics. I hope he is also realistic enough to draw the moral that demagogy is necessarily a wasting asset for any party which seeks to govern in a state where the electorate is politically conscious and has a reasonable capacity for judging public issues. Mr Karunanidhi and his colleagues in the leadership of the DMK do not have much time to waste and although it is very likely that this party will be returned with a majority at the next general election, the people are clearly becoming less and less willing to take its professions at their face value. This means that, on any but a short-term view of its political future, the DMK ought to decide to mend many of its ways, particularly in terms of putting an end to practices on the part of powerful or influential men in the party which tend to bring the administration into disrepute.

* *

The 21st annual session of the All-India Newspaper Editors' Conference, which met in Simla earlier this month, had a fine opportunity for dealing with the issue of the freedom of the press, not only as a general philosophical or political principle but also in its specific detail as a matter of current practical importance. Broadly speaking, it made good use of this opportunity. That it should have welcomed the Press Council's verdict in *The Tribune* case was only natural. That it should have expressed this opinion less in terms of a particular controversy which had its peculiar personal overtones and more in terms of the basic claims of a free press to function independently of official frowns or favours goes to its credit.

While *The Tribune* affair took up a great deal of the time of the AINEC, it was good to note that adequate attention was also paid to the state of the press in Jammu and Kashmir. Enough was said on this occasion to prove beyond doubt that at no time during last 23 years had newspapers and periodicals in that state been able to function with reasonable freedom from political interference or even repression. While an attempt may certainly be made to explain this unfortunate situation in terms of the special circumstances of Jammu and Kashmir state, the result could at best be only a very partial explanation. What is indefensible is that successive administrations in the state had made no serious effort at all to permit even such limited freedom of expression as was consistent with the legitimate requirements of security. On the contrary, successive heads of ministries in the state seemed to have found it only too convenient for their purposes to shut out all criticism in newspapers and periodicals and to promote a subservient, if not servile press. Strong feelings were expressed at this session of the AINEC that the time was ripe for a team being deputed by this body to visit Jammu and Kashmir and study the situation on the spot. This investigation is expected to be taken up and completed as early as possible.

The Government of Himachal Pradesh, which played host to this session of the AINEC, did so with commendable zest and thoroughness. A part of the high spirits exhibited by it on this occasion was due clearly to its pleasurable anticipation of the state achieving the status of a full-fledged member of our federal polity shortly. Although the value of this development would be mostly psychological, there is no gainsaying the fact that it could release or stimulate positive and creative efforts in the people of the state and their leaders. That there is a genuine keenness on the part of the Chief Minister, Dr Y.S. Parmar, and others important in the government or public life of the state to address themselves with renewed vigour to the task of developing industry in the region as well as agriculture and allied pursuits, particularly horticulture and livestock breeding, is obvious enough. Among the many facilities, which Himachal Pradesh or its leaders, seem to consider necessary for the further advancement of the region, is a first class newspaper which the people of the state may call their own. There are quite a few indications that the state government would welcome and assist a project for a Hindi daily to be published from Simla.

V.B.

INDIAN ENTERPRISE AND EXPERTISE

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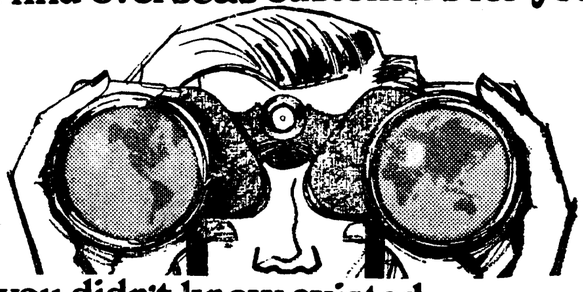

who you didn't know existed

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Trade Winds

TEXMACO WAGONS

TEXMACO STARTED the export of wagons by shipping 480 units to East African Railways valued at over Rs 1.8 crores. Texmaco rolling stock exports raised the overall value of non-traditional exports. Close on the heels of its maiden success came a European order for export of 500 all-welded flat cars to Hungary valued at over Rs 2.5 crores. The wagons were exported in 1967-68 and were very well received by the Hungarian State Railways. The topmost technical authorities in the country testified in writing to the quality and workmanship of these wagons which were hailed as fully on par with their counterparts manufactured by the more sophisticated and technically advanced countries in Europe and elsewhere. Confirming the Hungarians' appreciation, a repeat order was placed with Texmaco of a still larger magnitude for supply of 1,000 similar wagons valued at over Rs 3.80 crores, the largest single export order for rolling stock placed with any rolling stock manufacturer in the country.

CARBON BRUSHES

In order to meet the increasing demand for carbon brushes it has been decided by the government to gear up the industry in the country and create more capacity for the manufacture of carbon brushes. Interested entrepreneurs, including existing producers of carbon brushes have been asked to submit applications with complete particulars to the union Ministry of Industrial Development and Internal Trade, so as to reach them before October 31, 1970.

UNLOADING OF FERTILISERS

For the first time in this country unloading, bagging and stitching of imported fertiliser is now being done mechanically at the Bombay port. The mechanical handling was tried out when the fertiliser vessel *Tarpon Swift* carrying 12,026 tonnes of Di-ammonium Phosphate in bulk arrived at Bombay on September 15. The cargo is discharged from conveyors which feed bagging, weighing and stitching machines. Thus, from the point of unloading from the ship to the point of stitching, all operations are done mechanically. The stitching is also much better than the manual. This innovation in technique can unload not only bulk fertiliser but also bulk rock-phosphate. If the arrangements can be extended to other ports also, the annual savings in foreign exchange will be very substantial. In view of the higher discharge rate which the innovation makes possible, the ocean freight is expected to go down at least by three dollars per tonne and the annual savings on freight in respect of fertiliser and rock-phosphate will be more than five million dollars. Bagging in the countries from which we get the imports costs about 15 dollars per tonne and if mechanical handling arrangements are instituted at all the ports, it should be possible to get the one million tonnes of fertiliser and rock-phosphate which are now coming in bags as bulk. This will mean a saving of 15 million dollars on bagging alone.

IND. ESTATES IN W. BENGAL

Seven industrial estates in West Bengal are providing infrastructural facilities, cheap sites and common services including technical know-how to a number of small-scale industries, mostly engineering, textile and chemical units. Five estates at Kalyani, Howrah, Baruipur, Saktigarh and Siliguri are under the state government, while those at Behala and Bon-Hooghly are run by the central government's Rehabilitation Industries Corporation. The estates were set up for promoting small industries and achieving overall, balanced regional development of small towns and villages. Biggest of these, the Howrah estate, covering an area of 13,13,920 sq. ft., with capacity of 76 sheds, accommodates 45 units employing over 1,118 people. The Kalyani industrial estate, with a provision of 24 sheds, was the first estate to be set up in 1957. It provides facilities to 17 units, employing over 1,000 people. Nine units are operating in Baruipur Estate, which came up in 1957-58 with a provision of 34 sheds, while three units are functioning at Saktigarh with a capacity of 20 sheds, constructed in 1961.

SUPPORT PRICES FOR COTTON

In order to provide a greater incentive to cotton growers in the country, the union government has decided to allow a uniform increase of five per cent in the support prices of all varieties of cotton during the cotton year 1970-71. The exact support levels are being announced by the Textile Commissioner. The assurance given earlier that the government would be prepared to buy cotton offered for sale at support prices will continue to be effective for the current cotton year. On a review of the working of cotton policy for the cotton year 1969-70, it has been decided by the government to continue during the cotton year 1970-71 regulation of marketing of cotton as hitherto. Suitable adjustment could be made, if and when necessary, from time to time, in the mechanism of stock control, credit control and contracts to discipline the prices in the course of the year, stated a press note issued recently.

RUBBER PRICES

The union government has after considering the recommendation of the Tariff Commission in their report on the revision of the minimum prices of raw rubber, announced new rubber prices. The commission had recommended that the minimum price of the standard RMA Grade-I rubber be fixed at Rs 520 per quintal at the nearest district headquarters. It had also recommended that if government desired to fix the maximum price to the consumers, it may be fixed at 10 per cent over the the minimum price. The government has decided to accept and implement the minimum price recommended by the Tariff Commission with immediate effect for the standard RMA Grade I and corresponding prices for other grades. It has not, however, considered necessary at present to fix the maximum price for this and other grades of rubber.

COST STRUCTURE OF DRUGS

The union Ministry of Petroleum and Chemicals and Mines and Metals has set up a working group to examine the cost structure of 25 bulk drugs, whose maximum prices stand frozen at May 15 price level, with a view to fix fair selling prices for them.

The group is headed by Mr N.N. Wanchoo, Chairman, Bureau of Industrial Costs and Prices and has as its members Mr G.K. Abhyankar; the Drugs Controller, Directorate General Health Services; Dr A. Seetharamiah, Directorate General Technical Development; Chief Cost Accounts Officer, Ministry of Finance or his nominee; Economic Adviser to the Ministry of Industrial Development, Internal Trade; Director, Central Drug Research Institute; Mr Manmohan Singh, Professor of International Trade, Delhi School of Economics, Delhi University. Dr R.P. Gupta, Adviser (Drugs), Department of Petroleum and Chemicals will be the Member-Secretary. The Drugs (Prices Control) Order, 1970, issued on May 16, had given powers to government to fix the maximum selling prices of those 17 basic drugs in respect of which the Tariff Commission had re-

commended fair prices. In the case of other bulk drugs, the manufacturers were asked not to increase the maximum selling price without obtaining the approval of the government. Accordingly, on May 18 the government issued a notification fixing maximum selling price of 17 bulk drugs. Now the cost structure of the more important of the remaining bulk drugs is going to be examined. These drugs are: Sulphacetamide/Sod, Sulphaguanidine, Sulphadimidine, Sulphathiazole, Sulpha Phenazole, Sulphasomidine, Thiacetazone, Dapsone, DEC Citrate, Procaine HCL, Xylocaine, Aspirin, Phenacetin, Paracetamol, Metamizol, Pethidine, Phenobarbitone, Caffein and its salts (Citrate), Quinine & its salts, Vitamin B^1, Nicotinic acid/amide, Beta Methasone, Gelatine capsules, Transfusion Solution, and Diptheria Antitoxin.

RELIEF TO HOTELS

Approval of hotels for the purpose of claiming various concessions under the Income-Tax Act, 1961 will now be accorded by the Ministry of Tourism and Civil Aviation. A press note stated that requests for such approval should be made to the Ministry of Tourism and Civil Aviation and not to the Ministry of Finance. The concessions relate to initial depreciation on new buildings, grant of development rebate on new plant and machinery at higher rates applicable to priority industries.

TRADE WITH IRAQ

Annual trade arrangements between India and Iraq for the period September 1, 1970 to August 31, 1971 was concluded in Iraq on September 13, 1970. The flow of trade between the two countries was noted with satisfaction and further Indian exports on traditional goods were envisaged. Imports from Iraq constitute mainly dates.

MODERNISATION OF JUTE UNITS

Fifteen jute units in West Bengal have been getting soft loans under the Industrial Finance Corporation's scheme of special assistance to this export-oriented industry. Nearly six crores of rupees had been sanctioned under this scheme up to the end of 1969 and more than a quarter of the total sanctioned had been disbursed. The loans are given on a subsidised rate of interest and a reduced margin. In April 1968, the central government set apart initially Rs 5 crores for the grant of soft loans to the jute industry for the installation of modernised machinery, especially broad looms, to step up the production of carpet backing cloth to meet the export demand. The objective has been to help the jute industry overcome its difficulties created by its old and obsolete machinery and intense competition to its products possess from substitutes and from countries such as Pakistan which possess modernised machinery. For any losses suffered by the Industrial Finance Corporation in granting these subsidised loans to the jute industry, the central government stands guarantee to the extent of 80 per cent.

FOREIGN TRADE IN JULY

Exports in July 1970 amounted to Rs 91.81 crores and imports Rs 132.48 crores, recording an adverse trade balance to the tune of Rs 40.97 crores. The cumulative totals for the four months, April to July 1970, together with comparative figures for the corresponding period of last year are shown below :

(Rs crores)

	Cumulative totals for April to July	
	1970	1969
Exports (including re-exports)	431.84	454.44
Imports	535.57	506.42
Trade Balance	—103.73	—51.98

IMPORT LICENCES FOR STEEL

In view of the inadequate availability of steel in the country, it has been decided by the union Ministry of Foreign Trade to consider applications for additional import licence for steel items from actual users during April-March, 1971. A list of items for which such applications will be considered includes forging quality blooms and slabs, MS forging quality and all other carbon steel billets, including welding quality, 125 mm x 125 mm and below. Plates including MS (semi-killed, fully killed and chequered), boiler quality and ship building quality in thicknesses 5 mm and above. BP, MS Sheets (hot rolled and cold rolled) including Tinmill black plate quality, in below 5 mm thicknesses. Hot rolled strips and skelp, in coils, of mild, high carbon or alloy steels (excluding stainless steel). Electrical steel sheets/strips both transformer and dynamo grades. High carbon (containing carbon over 0.4%), cold heading quality and alloy steel (excluding stainless steel) wire rods.

EXPORT INSPECTION

The Export Inspection Council in Calcutta has recently stepped up its operations in regard to quality control and pre-shipment inspection of export products. This council, which is the main agency of the government to ensure strict adherence to quality standdars for export products, now covers, in the Calcutta area, a wide range of engineering goods, paints and allied products, chemicals and products, mica footwear and fish and fish products. Plans are afoot to extend the council's quality control and pre-shipment operations to jute and jute products which occupy an important place in India's export trade. The council's laboratory in Calcutta, well equipped on the modern lines, carries out sample tests of these export products on a systematic and continuous basis. The officials of the council also make frequent visits to the concerned factories to ensure strict in-process quality control. The engineering products for which pre-shipment inspection is undertaken include sewing machines, electric fans, bicycles and bicycle parts, diesel engines, automobile spares and components, power driven pumps and electric cables and conductors.

M.M.T.C. EXPORTS

The exports of Minerals and Metals Trading Corporation are expected to go up to Rs 125 crores during the current year, an increase of almost 40 per cent over last year, stated Mr L.N. Mishra, who addressed the annual general meeting of the Corporation. Even last year, MMTC had increased its exports by nearly 14 per cent to over Rs 90 crores. MMTC has been steadily expanding its exports. The increase in the Corporation's share of mineral exports and of total exports of the country was significant last year. It might be even more this year. Mr Mishra praised MMTC for its efficiency in operations and service to customers. The Corporation imports non-ferrous metals, some items of steel and raw materials for the fertilizer industry. The object of the Corporation was to supply these materials at reasonable prices to the industry in the country. The total imports by the Corporation would be about Rs 125 crores this year.

Mr R.R. Bahl, Chairman, MMTC, presented the Directors' Report to the shareholders on the trading activities of the Corporation for the year ended March 31, 1969. The Corporation had declared a dividend of seven per cent. The trade turnover of the Corporation was growing at a quick rate. This year, the Corporation would transact business only marginally short of twice its turnover last year. The total trade in 1970-71 would be of the order of Rs 250 crores. Mr Bahl outlined the importance of development of export of mineral ores for the country's trade. The development of these exports, he mentioned, was essential to sustain the growth rate of seven per cent for the country's export trade, which was aimed at during the fourth five-year Plan.

Company Affairs

SIMCO METERS

MR S. NARAYANASWAMY, Chairman, Simco Meters Ltd, told the shareholders at the recently held annual general meeting that the company was trying to diversify by taking up production of electronic components, apart from the manufacture of meters. This was revealed by the fact that aggreagate sales of the company came to around Rs 94.43 lakhs out of which as much as two-thirds was accounted for by sale of meters. Mr Narayanaswamy indicated that the demand for both single and polyphase meters had improved considerably. The increased cost of raw materials along with non-availability of certain crucial components such as magnets, screws and laminations had considerably reduced the temptation of producers to make massive tenders at uneconomic prices for single phase meters. The company, therefore, had preferred to concentrate on the polyphase meters for which the company's order books were fairly full.

Mr Narayanaswamy revealed that during the current year the share of electronic goods manufacture would increase in the total production pattern of the company as it had already established production of a wide range of instruments with the assistance of its collaborators, Messrs Eastern Electronics (Delhi) Pvt. Ltd. In the context of the new licensing policy, which involved the production of new items only after obtaining specific industrial licences, the company had approached the government for diversification. In view of the fact that the sophisticated types of electrical equipment were also defence-oriented, the union government, Mr Narayanaswamy hoped, would be willing to permit foreign collaboration wherever it was considered desirable. The company, therefore, hoped to manufacture sophisticated electronic instruments on large scale. To facilitate this activity, chairman stated, a research and development wing was proposed to be established to undertake new designs of sophisticated instruments and to keep pace with the rapid development in this special field of industry.

Simco Meters has been able to improve its financial position through careful husbanding of resources by its management. The chairman indicated that the company paid back the medium-term loan of Rs 6.66 lakhs taken from the United Commercial Bank well ahead of the repayment schedule. The company had provided a sum of Rs 6.43 lakhs towards development rebate reserve and had also contributed Rs 40,000 towards Commonwealth Development Finance Company Ltd. repayment reserve, over and above the fund already earmarked. With the reduction in the debt burden, the company's interest outgoing were bound to drop in the coming years and more of the company's earnings would be available for plough back and for building up of reserves.

TATA CHEMICALS

The directors of Tata Chemicals Ltd propose to maintain the company's equity dividend for the year ended June 30, 1970 at Rs 1.50 per share. There was a substantial increase in its grosss profit following an increase in sales to Rs 12.33 crores from Rs 11.75 crores. The company's gross profit has risen to Rs 3.35 crores from Rs 3.12 crores. Out of the gross profit, depreciation claims Rs 75.11 lakhs, taxation Rs 1.17 crores and development rebate reserve Rs 20 lakhs leaving a slightly lower net profit of Rs 1.23 crores against Rs 1.28 crores for the previous year. This surplus has been disposed of by transferring a sum of of Rs 1.21 crores to the general reserve and Rs 2.50 lakhs to the reserve for contingencies. The proposed preference and equity dividends aggregating Rs 69.14 lakhs will be paid out of the general reserve.

UCO BANK

The United Commercial Bank Ltd proposes to undertake a new type of financial agency work. It has received compensation of Rs 8.30 crores on nationalisation of banks. The board of directors want to conserve a fair portion of this amount for starting several new financial services useful for the economic growth of the country. The company will function as a financial agency to enable people to build and buy homes. It will manage trusts perform duties of trustees, executors and administrators, manage unit investment trusts, render safe deposit vault service and work as agents. It will also do merchant banking including promotion of industries, underwriting of capital and investment and financing operations. It will provide short and medium term credit and receive deposits from its members. It will act as a discount company and acceptance house. According to Mr. B.T. Thakur, director of the company, the directors and their friends will first float a new company under the name of the United Commercial Finance Corporation with a small paid-up capital of Rs 25 lakhs. The capital would then be suitably raised with a view to accommodating the shareholders of the United Commercial Bank Ltd and finally amalgamating the company. Such amalgamation, Mr Thakur says, will save shareholders from the trouble of solving their individual tax questions which they will have to face if the compensation amount is disbursed. Mr G.D. Birla has been invited to be the chairman of the proposed corporation.

BAJAJ AUTO

Bajaj Auto Ltd has produced favourable results for the year ended March 31, 1970 with a rise in its gross profit to Rs 1.93 crores from Rs 1.46 crores for the previous year following a rise in sales to Rs 10.10 crores as against Rs 8.27 crores last year. Out of the gross profit, depreciation claims Rs 41.44 lakhs and development rebate reserve Rs 4.75 lakhs, taxation Rs 86.89 lakhs. The balance of Rs 59.98 lakhs has been transferred to the general reserve. At the end of the year the company's general reserve stood at Rs 1.22 crores and development rebate reserve at Rs 44.15 lakhs. The directors have proposed to step up the equity dividend from Rs 10 to Rs 15 per share for the year ended March 31, 1970.

MOHAN MEAKIN

Mohan Meakin Breweries Ltd has reported improved performance during the year ended March 31, 1970. The directors have proposed to step up the equity dividend from 10 per cent to 12 per cent. Sales have increased to Rs 17.18 crores from Rs 15.36 crores. The company has earned a higher net profit of Rs 89.13 lakhs after providing Rs 36.56 lakhs for depreciation, Rs 5 lakhs for development rebate reserve and Rs 152 lakhs for taxation. General reserve gets Rs 71 lakhs. Dividends will absorb Rs 29.17 lakhs. The bonus shares issued on July 31, 1970, do not participate in the dividend. The directors state that all the units worked satisfactorily during the year. New products were well received in the market. The company will have to face competition from the various breweries that have been set up recently and being set up in various parts of the country. The directors state that they will do all

that is possible to ensure that trade and popularity already achieved by the company's products are maintained. A new company under the style Mohan Rocky Springwater Breweries Private Ltd has been set up to undertake the work of setting up a brewery in Maharashtra. Mohan Goldwater Breweries Private Ltd went into production recently. A new company under the style Mohan Ethiopia Anglo-Industrial Enterprises Private Ltd has been set up in Ethiopia. The company will invest in this venture Rs 50 lakhs by way of export of machinery and equipment.

INDIA STEAMSHIP

Mr A. Ramaswami Mudaliar, Chairman of India Steamship Co Ltd, has told shareholders in his statement that the year ended March 31, 1970 was a difficult one. It was a period of unending trouble, strife and setbacks all of which have contributed to a recession in world trade. There have been numerous port labour strikes throughout the world affecting the trading results of shipping companies. There has been no improvement in the problem of berthing delays at the major ports. The company's programme of replacing some of its ageing ships has begun to take a concrete shape. The company has purchased one second-hand ship, which is well equipped for the trades in which it is participating. The directors are considering proposals for acquiring further vessels. Freight earnings amounted to Rs 12.64 crores during the year. During the year 35 voyages were completed in liner services and eight voyages in the coastal services as against 33 and two voyages respectively in the previous year. The company has earned a higher net profit of Rs 47.89 lakhs. Allocations include: Rs 96.76 lakhs for depreciation, and Rs 34 lakhs for development rebate reserve. No provision has been made for taxation against Rs 37.50 lakhs. General reserve gets Rs 47.89 lakhs. The equity dividend has been raised from eight per cent to 10 per cent. which will absorb Rs 24.75 lakhs. Preference dividends will claim Rs 1.63 lakhs.

JAY ENGINEERING

The gross profit of Jay Engineering Works Ltd for the year ended March 31, 1970, was Rs 70.89 lakhs. This contrasts with Rs 105.03 lakhs last year. The decline in profit is accountable by the very large bonus payments, including additional payments for previous years, which had to be made in the labour situation prevailing in Calcutta during the year, and to the uneconomic working of the sewing machine factory. The operations of the company had reached a new peak during 1968-69, but had a setback in the year under review, on account of disturbed conditions in the Calcutta units. The sewing machine factory suffered from serious labour indiscipline throughout the year and was out of production in the last three months. Operations of the fan factory in Calcutta were also affected by militant labour agitation at the end of the year, and but for this, the results would have been much better. On the favourable side, substantial progress was made in operations of the Hyderabad factory. This unit, which has now been licensed to manufacture fans, is maintaining a rapid rate of growth. The fan factory at Agra is also making steady progress. The developments at Hyderabad and Agra bid fair for the stability and growth of the company's future profits. The sales of the company improved from Rs 14.5 crores to Rs 15.9 crores during 1969-70 in spite of the setback in the Calcutta units. Exports amounted to Rs 1.5 crores; the export performance would have been still better if supplies had not been interrupted because of labour difficulties at Calcutta. The directors have recommended an equity dividend of eight per cent, subject to the usual statutory tax deduction.

SHIVAJI WORKS

Shivaji Works Ltd proposes to issue fresh capital of Rs 18 lakhs comprising 90,000 (9.3 per cent) cumulative redeemable preference shares of Rs 10 each and 90,000 equity shares of Rs 10 each. The proceeds of the fresh issue will be utilised for financing the company's development and expansion plans. The new shares will be offered in the first instance to the existing shareholders as rights in the ratio of one preference share for three equity shares and one equity share for three equity shares held at par. A sum of Rs 2.50 per share is payable after four months of the date of allotment and the final instalment of Rs 2.50 per share after eight months of the date of allotment. Dividends for 1970 and 1971 will be proportionate to the paid-up amount.

PESTICIDES

Pesticides Ltd which has recently obtained a licence to set up a beer plant with an annual capacity of 50,000 hecto-litres in the company's premises at Thana (Maharashtra) proposes to issue this year debentures of Rs 40 lakhs and fresh capital of Rs 50 lakhs (comprising Rs 25 lakhs of preference shares and Rs 25 lakhs of equity shares.) The debentures will carry an interest of nine per cent and the maturity will be Seven to eight years. The preference shares will carry interest between nine and 10 per cent. The equity issue which will be rights issue will be offered to the existing shareholders in the first instance at par. The portion of the rights issue not taken by the existing shareholders will be issued later to the public. The company's present paid-up capital is Rs 55 lakhs in equity. The cost of the proposed beer project is estimated at Rs 90 lakhs, which will be met by the issue of debentures and fresh capital. The beer plant is expected to go on stream early in 1972. Its turnover per annum will be about Rs 3 crores. Negotiations for import of technical know-how and bottling plant are in progress.

ORISSA CEMENT

Orissa Cement Ltd has revealed that during the half-year period ended June 30, 1970, its turnover increased to Rs 510 lakhs from Rs 481 lakhs for the corresponding period of 1969. The production and sales of cement for the period dropped to 201,000 tonnes and 192,000 tonnes from 230,000 tonnes and 236,000 tonnes respectively for the corresponding period of 1969. But the business in refractories, RCC spun pipes and prestressed products was better. The production of refractories rose to 44,644 tonnes from 35,009 tonnes and sales to 41,442 tonnes from 32,121 tonnes. The sales of RCC spun pipes was better at 5,242 tonnes compared to 5,008 tonnes and the production at 6,165 tonnes compared to 5,370 tonnes. The production of prestressed products moved up to 2,246 tonnes from 2,211 tonnes and the sales to 3,098 tonnes from 1,973 tonnes.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have decided to recommend to stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March 1970 on the Company's Ordinary Stock at the rate of 6½ percent gross less Indian Income Tax at appropriate rates be paid on the 18th November 1970 to those stockholders whose names are registered in the Company's Stock Register on the 5th October 1970.

Applications for transfers received in this office before 12 o'clock noon on Monday 5th October 1970, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD
S.K. MITRA
Secretary

VICTORIA HOUSE,
CALCUTTA, 16th September 1970

ADVERTISEMENT

INDIAN CIGARETTE INDUSTRY

Now—The Full Facts Vs. Misleading Propaganda

Introduction

I welcome you to this press conference and thank you for having taken the trouble to come. There has recently been a great deal of attention drawn to the cigarette industry in India largely as a result of unsavoury propaganda by Golden Tobacco Co. As the Chairman of one of the leading Companies in the cigarette industry in India, I felt that the time had come when the Press and the public and the Authorities would welcome facts about the Industry rather than continue to be fed with one sided propaganda.

A. Industry Representation

1. There are today ten companies in the cigarette industry and all these ten companies are members of The Cigarette Manufacturers' Association formed in 1967 including Golden Tobacco Co.
2. The Indian Cigarette Manufactures' Association is supposed to have been formed just prior to August 3, 1970. To the best of my knowledge, the I.C.M.A. has as its promoter, prime mover and almost exclusive member, Golden Tobacco Co. and is also financed by Golden Tobacco Co. and is obviously being used as a platform for propaganda, if its recent activities—indeed its sole activities since its inception— are any evidence of its object and purpose.

B. Golden Tobacco Co. Campaign—Their own performance—Underlying Reasons for the Propaganda.

1. **Substance of the Propaganda**

Golden Tobacco Co's campaign of vilification is commercially unethical and much of it is illegal, defamatory and damaging. It is founded on distortion and suppression of material facts, false promises, and fallacious conclusions. In the words of some of the eminent jurists in the country, this campaign is clearly calculated to lower the reputation and tarnish the public image of India Tobacco Co.

2. **Golden Tobacco Co. —Performance**

It is the thesis of Golden Tobacco Co. that they cannot progress and prosper because of certain large manufacturers and those who have overseas shareholders. Here is the irrebuttable evidence by which the Press, the public and the Authorities can assess for themselves the true state of affairs.

a. Shri Chatrabhuj Narsee, the ex-Managing Director has himself stated that Golden Tobacco Co., was started in a humble way with a very small capital.

b. Sales/production performance of Golden Tobacco Co. between 1948 and 1968 in the context of the entire Industry (Government statistics) is as follows:-

Golden's Sales—Production—Millions Cigarettes		% Increase Golden	%Increase Industry
1948 70	1968/69 8040	11500%	225%

c. Golden Tobacco Co's sales/production increase over last ten years compared with that of the Industry as a whole is as follows :

Golden—10 yrs. % Increase	Industry —10 years % Increase	Golden—AVG. Annual % increase	Industry AVG Annual % increase
526.4%	113.1%	52.6%	11.3%

d. Golden themselves advertise PANAMA as follows :
(*a*) Available from Kanya Kumari to Kashmir.
(*b*) As the largest selling cigarette in its class.

e. Golden Tobacco Co's financial performance is as follows (year ending 30th June):—

(In Crores of Rupees)

	1967	1968	1969	Comments
Issued Capital (Ordinary)	.60	.60	1.80	Bonus Rs. 1.20
Capital Employed	7.49	7.59	9.05	
Gross Profit	1.93	2.50	3.07	
Financial % Ratios				
%Gross Profit to turnover	7.85	7.77	8.11	Highest in the industry
%Gross Profit to Issued Ordinary Capital	321.00	417.00	171.00	-do-
%Gross Profit to Total Equity	79.42	86.50	83.92	-do-
%Gross Profit to Capital Employed	28.57	35.84	36.02	-do-

f. Golden Tobacco have already in their own words implemented two substantial expansions and have only recently been sanctioned yet another substantial expansion amounting to over 50% of their present fully utilised installed capacity.

3. **Golden Tobacco Co's Prosperity—Shareholders**

I and, with me, India Tobacco Companies wish Golden Tobacco Co. continued and increased affluence. Indeed, India Tobacco Companies would at all times be willing to co-operate with them and to assist them should such assistance be required in consonance with commercial ethics and equity. We wish all of Golden Tobacco Co's 13/14 shareholders, of which 13 belong to one family, perennial prosperity.

4. **Summary of Performance**

The above facts, which beyond doubt or dispute, conclusively and categorically prove that no manufacturer with or without overseas shareholders has in any way impaired or impeded the progress and prosperity of Golden Tobacco Co.

5. **Golden Tobacco Co's Role in the Cigarette Industry**

It has been the claim of Golden Tobacco Co. that

they champion the cause of the "indigenous sector" of the cigarette industry. I place the following relevant facts before the Press and the public and the Authorities :

(a) Golden Tobacco Co. have played no part in letting the Indian public share their substantial prosperity.

(b) Golden Tobacco Co. have played no creative part in the development of exports.

(c) Golden Tobacco Co. have played no creative part in the development of import substitution.

(d) Golden Tobacco Co. have played no part in positively and significantly assisting the tobacco farmers.

(e) Golden Tobacco Co. have played no part in encouraging collective bargaining and the Trade Union movement.

6. Analysis of Underlying Reasons for Golden Tobacco Co's Propaganda

I would request the Press and the public and the Authorities to carefully consider the following :

(a) That having grown at a phenomenal rate, far exceeding that of the Industry, a company could monopolise the Industry by restricting competition.

(b) That undue and unfair advantage could be taken by a company of a vacuum that would artificially be created if other organised manufacturers are prohibited or restricted in their production, in keeping with the natural growth of the Industry.

(c) That no company could be allowed to overlook that public participation is a factor requisite to the growth of a company which has entered into the area of big business.

(d) That no company could be permitted to ignore the basic commercial principles that ultimately in the consumer goods industry, a manufacturer's success must be based on serving the consumer and giving him the very best value for money.

C. The Propaganda—Its Validity

It is reasonable to presume and apprehend that an unsavoury propaganda would cause following wrong impressions, will enable the Press and the public and the Authorities to make their own impartial assessments of its fallacies, falsities or otherwise of the propaganda.

Propaganda Item No. 1	Is the Propaganda True or False
Because of overseas shareholders there is only drainage of FOREIGN EXCHANGE	FALSE

FACTS

1. India Tobacco Companies started exports as far back as 1933, Indian Leaf Tobacco Development Co. Ltd. was created in 1908 and reorganised in 1928.
2. Between 1958 and 31-3-1970, India Tobacco Companies which include its sister concern Indian Leaf Tobacco Development Co. Ltd. earned NET FOREIGN EXCHANGE of Rs. 66.14 CRORES, after deducting dividend/profit remittances from foreign exchange earnings.
3. As India Tobacco Companies have developed NET FOREIGN EXCHANGE earnings (i.e. export earnings less dividend remittances) have also continued to increase as follows :

In Crores of Rupees

	1959	1969
NET FOREIGN EXCHANGE EARNED	Rs. 4.70	Rs. 9.56

4. India Tobacco Companies pay no royalty, know-how, or collaboration fees of any kind to anybody.

Propaganda Item No. 2	Is the Propaganda True Or False
That a foreign or other Monopoly exists in India in the cigarette industry	FALSE

Facts

1. India Tobacco Companies do not constitute monopolies in Law or in fact.
2. None of the three companies having overseas shareholders have any shareholding in each other.
3. India Tobacco Companies have no shareholding in Vazir Sultan nor Vazir Sultan in India Tobacco Companies.
4. There is no inter-connection between India Tobacco Companies and Vazir Sultan. There are no common directors or common management between India Tobacco Companies and Vazir Sultan. There are no common arrangements between these companies besides normal commercial arrangements. These have been confirmed by eminent jurists. These are also not peculiar to these companies only.

Propaganda Item No. 3.	Is the propaganda True or False
That International brands are sold by India Tobacco Companies	FALSE

Facts

1. No International brands sell in India other than those that are smuggled in like some other imported consumer goods.
2. All the brands sold by India Tobacco Companies are owned by them and have been (wherever legally possible) duly registered in their name under the Trade Mark Law, most of these have also been in use by India Tobacco Companies since several decades, on their own rights.
3. India Tobacco Companies pay no ROYALTY, commissions or any consideration in or outside India for the use of its brands/trade marks.

Propaganda Item No. 4.	Is the Propaganda True or False
That in the last four decades, 200 indigenous cigarette companies have been wiped out, mostly before Independence, six of them after Independence and six others are limping along.	FALSE

Facts

1. Until the enactment of the Industries (Development and Regulation) Act 1951, there was no registration of companies in the industry. The figures are manifestly fictional and meant to confuse the real issues. The entire sale of the industry prior to the Second World War was only around 500 million cigarettes per month and even if 50 million cigarettes per month are taken as the smallest economic unit cigarette industry then could not possibly have accommodated any more than 10 or so manufacturers.
2. India Tobacco Companies have never merged or amalgamated with or bought over a single indigenous undertaking in 60 years of operations, far less have they been responsible for wiping out any such undertaking.
3. There were only eight indigenous companies seriously competing in the cigarette industry prior to independence, and all eight were still in existence after Independence and were registered under the Industrial (Development and Regulation) Act 1951.
4. One further Indian company came into business around 1967/68 and is flourishing.
5. There are, today seven indigenous companies, operating in the cigarette industry.
6. A strictly regional company which is a proprietary concern has approximately 28% of the market in City in which it operates. The turnover of this company in one city area alone for the last three years has been as follows :

1967/68	1968/69	1969/70
54 lakhs	72 lakhs	90 lakhs.

7. Another company has an issued capital of only Rs. 20 lakhs and for the year-ending 31st August, 1968 its turnover was Rs. 1.18 crores.
8. Another company dealing in speciality goods and selling from its own shops has been doing extremely well and has reasons to be satisfied with its performance.
9. Yet another company was doing very well until the middle of 1967 when unfortunately labour troubles resulted in a lock-out for approximately 3/4 months. However, its shares are quoted on the market at 1.5 times par value which would not be possible without a satisfactory performance.
10. The only company which is unfortunately not doing so well is unable to sell its main brand against the direct competition of Golden Tobacco Co's cigarettes.
11. Another company suffered a setback primarily due to termination of manufacturing arrangements by Golden Tobacco Co. with it.
12. Last but not least, Golden Tobacco Co. themselves amassed gross profits to the tune of Rs. 1.93 crores, Rs. 2.50 crores and Rs. 3.07 crores for the year ending 30th June 1967, 1968 and 1969, respectively.

Propaganda Item No. 5	Is the Propaganda True or False
There is a great deal of idle capacity in the wholly indigenous sector of the industry	FALSE

Facts

1. Golden Tobacco Co. have been working three shifts since 1959 and have been fully utilising their installed capacity. They have already implemented two and have been granted a further substantial expansion.
2. Another company with basically regional operations, manufactures approximately 40 million cigarettes per month, which is about as much as it is capable of selling in and around one city.
3. Another company making speciality cigarettes is manufacturing to the full extent of available consumer demand.
4. Another company is not only manufacturing to its full capacity on a three shift basis but is likely to be taking advantage also of the 25% allowed to it without Government sanction.
5. Another company began utilising its full capacity by 1963/64. Towards the end of 1964 it obtained a very substantial expansion of 118% of its registered capacity and continued to expand utilising its increased capacity. However, as already indicated, a prolonged lock-out in 1967 impeded its progress. Upon request, India Tobacco is assisting it on its road to revival.
6. Another company has the capability of manufacturing approximately 8.4 million cigarettes per month. However, its brand is unable to face the direct competition of Golden Tobacco Co's brand.
7. Another company with which Golden Tobacco Co. terminated their manufacturing arrangements is capable of producing about 40/50 million cigarettes per month and is currently manufacturing approximately 20/25 million cigarettes per month. Upon request, India Tobacco is extending it the necessary help to enable it to revive.

Propaganda Item No. 6	Is the Propaganda True or False.
That foreign capital controls 80% of the cigarette market	FALSE

Facts

There are three Companies having overseas shareholders. India Tobacco was during the last financial year increased Indian participation to 25.18%, has made a commitment to increase it further to 40% and this process will continue. Another company has 35% Indian participation already and has made a proposal to the Government whereby the company will become a completely Indian Company with Indian participation increasing to 51%. The third company has also made a commitment to increase the

Indian participation to 40%. The position may thus be summarised as follows :

	Present	Committed/ Proposed.
%Share of Indian Capital in industry	42%	60%
%Production generated by Indian capital	47%	58%
%Capacity commanded by Indian capital	47%	60%
% Share of market turnover commanded by Indian capital	52%	62%

Propaganda Item No. 7	**Is the Propaganda True or False**
That because of certain companies other companies cannot prosper	FALSE

Facts

1. Golden Tobacco Co. representing the larger sector have had the following performance for the year ending 30th June :

(In Crores of Rupees)

	1967	1968	1969
Total ownership capital	3.43	3.89	4.67
Gross profit	1.93	2.50	3.07

2. Taking another company which can be construed as being in the middle sector the position for the year ending 30th June is as follows :

(In Crores of Rupees)

	1967	1968
Equity (Issue+reserves)	1.31	1.44
Gross Profit	0.80	0.87

3. Taking yet another company which could be considered to be in the smallest sector of the Industry the turnover for the last three years and selling cigarettes in only one city area is follows :

1967/68	1968/69	1969/70
54 lakhs	72 lakhs	90 lakhs

D. Contribution of India Tobacco Companies

I would like to tell you something about India Tobacco Co. of which I, as an Indian, feel very proud to be the Chairman.

I would like to explain that the India Tobacco Companies consist of India Tobacco, the Indian Leaf Tobacco Development Company, Calcutta Cold Storages and the Delhi and Orient Tobacco Co. and the All India Tobacco Co. Generally, these companies have single integrated business operation.

1. EXPORTS-IMPORTS—FOREIGN EXCHANGE

a. India Tobacco Companies started exporting as far back as 1933. As already indicated between 1959 and 31-3-1970 the India Tobacco Companies earned Rs. 66.14 crores NET FOREIGN EXCHANGE after deducting the cost of imports and overseas shareholders' dividends. Against this between 1961 and 1969 Golden Tobacco Co., were responsible for a NET LOSS in FOREIGN EXCHANGE to the country of approximately Rs. 1.14 crores.

b. Between 1959 and 31-3-1970 India Tobacco Companies exports amounted to Rs. 79.13 crores and between 1968 and 31-3-1970 to Rs. 31.04 crores with a current average of Rs. 10 crores per year. Between 1959 and 1969 Golden Tobacco Co's exports amounted to an average of only 7 lakhs against their average imports of Rs. 21 lakhs per year between 1961 and 1969.

c. As India Tobacco Companies business has developed the export earnings have also increased as clearly shown by the following :

(In Crores of Rupees)

	1959	1969
	Rs.	Rs.
INDIA TOBACCO COMPANIES' EXPORTS	4.81	10.97

The exports achieved by India Tobacco Companies have the active support and assistance of its overseas shareholders.

d. The position on average annual imports between 1960-61 and 1969-70 is as follows :

	ITC	Golden
Average annual production of cigarettes in millions of owned brands	22,913	5,345
Average annual imports in lakhs of rupees	Rs. 13 lakhs.	Rs. 21 lakhs.

2. INDIAN CAPITAL—INDIAN EQUITY SHAREHOLDERS

(In Crores)

	ITC	GTC
Original investment (including premium)	Rs.6.00	Rs. 0.05
Capital issued out of Profits/Issue	..	1.75
Total	6.00	1.80
Total Indian Equity Capital	9.11	3.67
Number of Indian Shareholders	21430	13/14

(*i*) India Tobacco Companies distributed on the latest position Rs. 40 lakhs to the Indian public. As opposed to this Golden Tobacco Co. distributed Rs. 28.9 lakhs on the latest position to their 13/14 shareholders who (but for one) belong to the same family. India Tobacco has a larger Indian public capital commitment than any other company in the cigarette industry.

(*ii*) Golden Tobacco Co's 13/14 shareholders have Rs. 4.67 crores equity/ownership.

3. MANAGEMENT

India Tobacco is entirely professionally managed. None of the Directors have any proprietary interests.

4. GIVING VALUE TO CONSUMERS—SERVING ALL KINDS OF PURCHASING POWER

(*a*) Here are some pertinent figures :

	1967	1968	1969
I.T.C. %Gross Profit to Turnover	5.50	5.59	5.40
GTC % Gross Profit to Turnover	7.85	7.77	8.11

(*b*) It is relevant that 48.5% of India Tobacco Companies sales are in the lowest priced category, where as only1 3.7% of Golden Tobacco Co's sales are in this class. Therefore, India Tobacco Companies provide better value and service to consumers.

5. IMPORT SUBSTITUTION

(*i*) Here is a comparative picture of production and imports of all kinds including materials, spare parts, machinery etc.,

(In lakhs of rupees)

	Current production (In millions)	Average imports 1961-69	Imports per million cigarettes
India Tobacco	28,800	13 lakhs	Rs. 45.1
Golden Tobacco Co.	8,000	21 lakhs	Rs. 286.5

(*ii*) India Tobacco uses Rs 12/13 crores worth of materials (including tobacco) currently and the total import of materials amounts to only Rs. 3 lakhs per annum. It is encouraging the indigenous manufacture of even the small quantity of items not yet available in the country.

(*iii*) **Machinery**

India Tobacco Companies can claim that both Primary (tobacco processing) and Secondary (Making/Packing) machinery as well as spare parts are available in the country today entirely due to its encouragement and effort. India Tobacco Companies have helped with finance, expertise, technical know-how, technical drawings/ blueprints of its own patents, engineering advice in and outside the plant, technical literature, workshop machinery, tools, jigs, fixtures ; raw materials; skilled workmen, civil engineering and draughtsmen, etc. Apart from machinery some 20,000 items of spare parts are manufactured in India today and the benefit of all this is available to every member of the industry.

(*iv*) **Materials**

India Tobacco Companies' assistance has included technical know-how and expertise, research and development facilities, guaranteed offtake, establishing quality control, finance and in a host of other ways which could all be testified to by their numerous suppliers. The result : All originally imported materials, board for making packets has been locally available since 1945; cigarette paper since 1951; aluminium foil since 1954, transparent film for wrapping packets since 1957; corrugated cardboard boxes for transportation since 1962; filter tips since 1963.

Although in 1951, India Tobacco Companies had to import Rs. 92.7 lakhs worth of material; their total materials import bill today is only Rs. 3 lakhs on using of Rs. 12/13 crores per annum. in spite of the using & having increased several times.

6. DEVELOPMENT OF SMALL SCALE ANCILLARY INDUSTRIES

Apart from the many, many suppliers of the main machinery and materials, INDIA TOBACCO COMPANIES have assisted in the development of small scale industries numbering 43 in different States in India.

7. RESEARCH & DEVELOPMENT

The Research done by India Tobacco Companies started way back in 1928 particularly for the development of leaf tobacco. Research establishments at Calcutta was started in 1952 and a new one was built at Rajahmundry for leaf tobacco research in 1961.

The Research establishment has a total strength of 50 most of whom are science graduates. The number of highly qualified scientists including an expert agronomist of international standing is 7. Fixed Assets investment has been made of the order of around Rs. 25 lakhs in Research Laboratories alone and recurring annual expenditure on Research and Development is of the order of Rs. 30 lakhs or more per annum.

Research Export : A beginning has been made in exporting Research and Technology built up over many years thus providing another avenue to earn foreign exchange albeit in a small way.

Research Activities : These activities are highly sophisticated on a very wide front covering Research in leaf tobacco, consumer research, product-development research, material development research and import substitution research, etc.

8. EMPLOYMENT—EMPLOYEES

India Tobacco Companies have 12,000 permanent workmen and as tobacco is a seasonal crop another 25,000 work during the season. They believe that their most valuable assets are their employees. Continuous facilities are provided for their training. For example, a Technical Training Centre at Bangalore, training programmes in all units and the Training School at Hunsur in Mysore.

As a result, one-third of the Management are those promoted from unionised cadres, a fact which India Tobacco Companies are proud of. Further, India Tobacco Companies firmly believe in Collective Bargaining as a means to achieve healthy industrial relations as opposed to paternalism. They actively encouraged the growth of Trade Unions and were one of the first companies in India to start Long Term Agreements with their Unions.

Golden Tobacco Co. employ approximately 1,350 permanent workers on a production of around 8,000 million cigarettes per annum compared with 12,000 employed by India Tobacco Companies on a pro-

duction of around 28,000 million cigarettes of its own brands. Therefore, it will be seen that Golden maintain much lower employment ratio per million cigarettes compared with India Tobacco Companies. Golden Tobacco Co. have a basic minimum wage scale for General Workers starting around Rs. 30 per month with a maximum basic wage for skilled workmen of around Rs. 107; a clerk starts at basic wage of Rs. 70 per month. Golden Tobacco have no unions.

9. FOREIGN EXCHANGE — COLLABORATION— KNOW-HOW— ROYALTIES — TRADE MARKS —BRANDS

India Tobacco Companies have no foreign collaboration arrangements nor do they have any technical know-how and/or goodwill agreements. NO MONEY either in rupees or foreign exchange is, therefore, spent by India Tobacco Companies for these purposes. NO ROYALTY payments whatever are made by India Tobacco Companies for the use of its Trade Marks or Brands, which are all owned by the India Tobacco Companies in India. Every single brand is manufactured in India and Government rightly does not permit import of cigarettes for domestic use.

10. AGRICULTURAL ECONOMY

In 1920, India Tobacco Companies introduced the Virginia Flue Cured variety tobacco in India, started its cultivation and then developed its growing by independent farmers for domestic use and export purposes. Therefore, India Tobacco Companies can justifiably claim that as a result of their pioneering, development and extension work, India is today not only self-sufficient in tobacco for, domestic use, but also exports large quantities of it— a permanent and perpetual contribution to the self reliance of the country's economy. They continued to do work which includes:

(*a*) Development of new areas and their expansion.

(*b*) Assistance in providing inputs such as fertilizer on loan, providing subsidised pure seed (currently around 8,000 kgs per annum — 1 kg adequate for 40 hectares), supplies of coal, supply of pesticides, procuring barn materials, interest free loans and crop insurance. In all this work India Tobacco Companies utilise something like Rs. 40 lakhs per annum.

(*c*) Field service to farmers through the season through trained people. There are 106 members of the Management exclusively employed in the leaf operations.

(*d*) Research services including seed production, plant breeding/selection, disease control, developing new strains, introduction of new varieties, fertilizers, pest control, agronomic practices, soil and water analysis, etc. In addition, a very comprehensive Advisory Service to farmers is also provided. The contribution made by India Tobacco Companies to the agricultural economy is well known in Government circles, and has been commended to others.

11. INTERNATIONAL AWARDS/PUBLIC ACCLAIM

I am proud of the fact that India Tobacco Companies were responsible for establishing the international quality of Indian Cigarettes. In the years 1968 and 1970, their manufacture, INDIA KINGS cigarettes received Gold Medals and in the year 1970 SIMLA and WINDSOR cigarettes were both awarded Silver Medals and LEX cigarettes a Bronze Medal in different categories— in the Monde Selection in Brussels.

I am also proud that in India, India Tobacco Companies efforts have also been rewarded, as they richly deserve. India Tobacco companies received the Certificate of Merit from the Ministry of Foreign Trade, Government of India for outstandihg export performance. They have been further awarded the First Prize for their Report and Accounts by the Institute of Chartered Accountants of India, New Delhi, this year.

12. PROFITS—SOCIAL RESPONSIBILITIES

At the Annual General Meeting held on 6th August this year, I made the following comment :

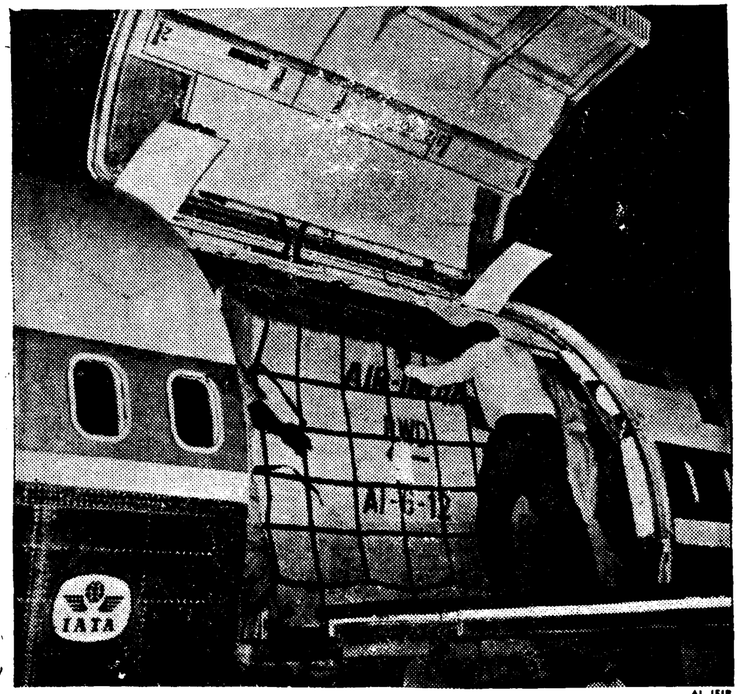
> "I must, therefore, in the first instance, disabuse you of any idea that the profit motive is the only central inspiration of your Board of Directors. We are concerned with profits (in the short and the long term) as the true measure of our performance — that we have maintained the organisation in sound financial condition and have obtained for the shareholders a proper return on their investment representing a fair reward for the contribution made. But we are also concerned with the well-being of the organisation in its totality as Industry is an organ of society specifically charged with the responsibility of organised economic advance through making resources productive."

It has been disclosed in an answer to a question in the Parliament on Golden Tobacco Co. by the Hon'ble Minister for Company Affairs that Golden Tobacco Co's paid-up capital for the year 1957-58, for which the earliest balance sheet is available, was Rs. 10 lakhs, whereas the value of this company's assets as per its balance sheet dated 30-6-1968 was Rs. 12.04 crores.

Conclusion

It must be noted that Golden Tobacco Co's increased intensity of vilification campaign coincides significantly with the publication of the Report of the Dutt Licensing Enquiry Committee, passing of the Monopolies Legislation, and clarification of the Government's policy regarding foreign investments in India I did express my earnest hope— and I repeat in all humility— that in facing up to the new diverse challenges, India Tobacco Companies will play their due role and discharge their social responsibilities with vision and dignity in keeping with their philosophy of commitment to India's welfare and to her all-round development. India Tobacco Companies unequivocally stand by the Government's economic and industrial policies. It is, however, essential to ensure that there is no exploitation of the climate that there is no usurpation of the responsibilities which rightfully reside in the Government, that there is, no sacrifice of the economic progress and development of our country, for the sake of commerical adventurism and ambition.

Extracts from the Statement by Shri A.N. Haksar, Chairman, India Tobacco Company Limited, at a Press Conference in New Delhi on 31st August 1970.



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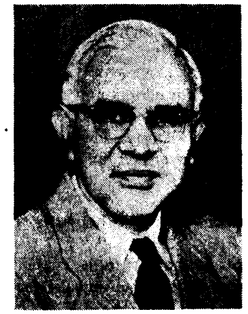
COMPANY MEETING



Sri S. Narayanaswamy

SIMCO METERS LIMITED

Sri S. Narayanaswamy's Review

Addressing the Ninth Annual General Meeting of the Company at the Registered Office of the Company at Tiruchirapalli, on Monday the 7th September 1970, Sri S. Narayanaswamy, M.L.C., Chairman said :

Gentlemen,

I have great pleasure in welcoming you to this the Ninth Annual General Meeting of the company. The report and accounts for the year ended 31st March 1970 have been with you all for sometime. I will take them as read.

I am most happy to say that our prior estimates and projections for the year 1969-70 have in all instances been matched by performance and indeed, our production and profit figures show that these have in some measure exeeded our expectations. The Balance Sheet and Report set out the details of our profits and allocations and it is not my intention to take you through them in the course of my observations this morning. I would like to say however that one of the most agreeable developments of the year has been the change in the outlook for products that are supplied generally to Electricity Boards. I believe this is the direct result of allocations made to Electricity Boards in anticipation of the Fourth Plan and the subsequent announcement of the Fourth Plan and its larger allocations. These indicate that the Governments both at Centre and in the States are anxious to compensate for the period of slow down in the matter of electrical power generation and distribution and rural electrification programmes, which the country had to put up with for a short period of time after the expiry of the Third Plan period. This has been treated by many units of the corporate sector particularly by those engaged in catering, by and large, to the requirements of Electricity Boards and Projects in the country as a period of stock-taking and close review. I must say that many units in the Engineering industry have been benefitted considerably by such a review, because it enabled them to secure economies in operation, cut back in production costs and what is far more important, secure diversification in production into other lines that enable them to reduce the vulnerability involved in producing goods that cater to one particular department of governmental activity. Thus, your company has among other things put through a diversification programme that has enabled us to fan out into Electronic Components.

It must be a matter of very special gratification to the Shareholders of the company to note that in such a sophisticated field as Electronics, your company has already established production of a range of instruments. This we have been able to do with the assistance of our collborators, namely, M/s. Eastern Electronics (Delhi) Private Ltd. Our production caters to the requirements of colleges, Technology institutions and other educational institutions, research laboratories apart from dealers in radios and transistors. It is our intention to enlarge the range of Electronic Instruments produced by the factory in the coming year.

In the meantime, as a result of a shift in the licencing policy recently introduced by the Government of India, production of electronic instruments can no longer be undertaken as a part of a routine diversification programme. Such production can be undertaken only after obtaining specific industrial licences. Since, however, we were already producing Electronic Instruments before the change in the policy was introduced, we are permitted to continue the production of the said items of instruments subject, however, to their annual turnover not exceeding Rs. 5 lakhs!

The Government of India at the same time welcome and encourage industrial units undertaking manufacture of different kinds of Electronic Instruments by speedy grant of industrial licences to them. In view of the fact that sophisticated types of Electronic Instruments are also defence-orieneted, the Government of India would be willing to permit foreign collaboration, wherever it is considered desirable or necessary. A special cell has been created by the Government of India to co-ordinate the activities of the Ministry of Industries and Technical Development on the one hand and the Ministry of Defence on the other and to sponsor issue of industrial licences to those who come forward to establish production of sophisticated electronic instruments.

Your Directors consider that your company should take immediate advantage of the new policy and that your company should apply for the necessary industrial licence to manufacture sophisticated Electronic Instruments on large scale, instead of confining such production to a small range permitted by a diversification programme.

To facilitate this activity, it is proposed to establish a Research and Development Wing which will help your Company to quickly undertake new designs of sophisticated instruments and to keep pace with the rapid development in this special field of industry.

At the same time, full advantage will be taken of the existing collaboration with Messrs. Eastern Electronics (Delhi) Private Limited to manufacture the range of instruments, in which they have already acquired great proficiency.

We have obtained Industrial Licence for manufacturing Polystrene Variable Condensers and Gang Condensers upto 600,000 pieces per year.

You will have observed from the perusal of the Profit and Loss Account that out of the aggregate sales of Rs. 94.43 lakhs, a little less than two-thirds is accounted for by sale of meters, while a little more than one third of the total production represents Electronic Components and other goods. Your Board of Directors is expecting that during the current year, the ratio of

electronic goods manufacture will be even higher than in the last financial year.

Coming to Meters, I am glad to say that the demand for both single and polyphase meters has improved considerably over the previous year. It would appear that the ungainfulness of operation experienced by singlephase meter manufactures over a period of years has had its impact on the finances of the meter companies. It is now observed that the economic waste involved in indiscriminate tendering by a process of Dutch auctions has become painfully obvious to most manufacturers. The increased cost of raw materials, scarcity of crucial parts like magnets, screws and laminations have also considerably added to the general reluctance among producers to make massive tenders at uneconomic prices. Your company, however, has firmly set its face against making tenders at uneconomic prices. The have preferred to concentrate on the polyphase meters for which demand has increased considerably since the previous year. The Company's order book is satisfactorily filled up and as of now, will keep us busy working 2 shifts for well beyond a full year. Meantime, there is very indication that Electricity Boards require more of our products, while the consuming market in Electronic Components is steadily widening. There is therefore every reason for this company to look forward with confidence to the future.

The problem of raw materials continues to hamper our operations and our major organisational effort is now being concentrated on securing raw material to enable us to keep to our time-tables of production. Shareholders are aware of the acute shortage of steel in this country, which itself accounts in the main for various shortages of materials which is experienced by this factory. Shortages of metals like copper and electrolytically pure aluminium has been among the other major shortages that handicap mobilisation of raw material on the scale that will ensure the production line operating without interruption. Great as the difficulty has been, our production programmes have not been hampered so far.

Another matter on which I would like to dwell is that your company has been able to achieve a degree of financial liquidity normally very difficult to reach in an engineering industry such as ours, which has to keep quite large stores of inventories. Our liquid position has enabled us to reserve a sum of Rs. 12 lakhs for amortising the loan taken by us from the Commonwealth Development Finance Co. Ltd. at the very inception of our operations. This sum has been kept in a separate Bank Account though this could have well been utilised by us towards working capital. I am glad that this has been made possible by careful husbanding of the resources by the company's management. As mentioned in the Annual Report, we have fully paid back the medium term loan of Rs. 6.66 lakhs taken from the United Commercial Bank, well ahead of the repayment schedule.

The Commonwealth Development Finance Co. Ltd. and the United Commercial Bank have been the Good Samaritans of the company and it is a matter of no small gratification to me, as I dare say it is to you, that we have done even better than keep to time tables of redemption of the loans given by these institutions.

The major features of the Balance Sheet now before you for adoption are, that it has been completely cleaned off all intangible assets by our being able to write off preliminary expenses, underwriting commission, share issue expenses, all of which under normal accountancy procedure appear as assets in the balance sheet.

We have been able to provide a sum of Rs 6.43 lakhs towards Development Rebate Reserve and also contribute Rs 40,000 towards CDFC Repayment Reserve over and above the fund already earmarked. Our taxation liability presently is small and this has been taken care of in the allocation. I am glad it has been possible to increase the Equity Dividend to 10% during the year. All these have been made possible by the increased tempo of the company's business, which shows an increase of 47% over the turnover of the previous year. With the reduction in the debt burdens, the company's interest outgoings are bound to come down in the coming years and more of the company's earnings would be available for plsough back and for building up of Reserves.

I now move for adoption of the Balance Sheet, Profit and Loss Account and the Annual Report and in doing so, shall be glad to answer any question from shareholders.

I thank you for your forbearance.

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

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

7¼% DEBENTURE STOCK, 1980 INTEREST FOR THE HALF-YEAR ENDING 14TH OCTOBER, 1970

Notice is hereby given that interest at the rate of Rs 38.75p (less Indian Income Tax) per Rs 1,000/- of Stock will be paid on 15th October, 1970, to Debenture Stockholders registered in the books of the Company on 2nd October, 1970. Applications for transfers received at the Company's Office at Victoria House, Post Box. 304, Chowringhee Square, Calcutta, upto 2nd October, 1970, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 3rd October, 1970 to 14th October, 1970, both days inclusive.

By Order of the Board,

S.K. Mitra,

SECRETARY

Victoria House,

Calcutta, 11th September, 1970.

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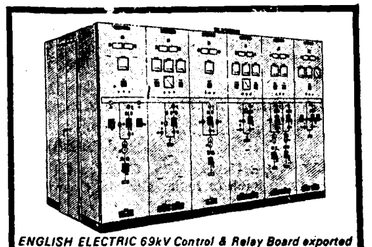

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AGENTS: Gangabishan Bhasin, Krishan Gali, Katra Neel; S. K. Traders, Katra Neel, Chandni Chowk, Delhi.

RECORDS AND STATISTICS

Increasing Responsibilities of IMF

THE INTERNATIONAL Monetary Fund in its annual Report for the fiscal year ended April 30, 1970, published on September 7, said that the world economy during 1969 and early 1970 was marked by severe inflationary pressures and, at the same time, by a series of developments serving to improve the adjustment of payments imbalances in several major countries and to strengthen the international monetary system.

The report's analysis of this mixed performance points to the central need for restoration of financial stability in the major industrial economies, and particularly in the United States. The report states that the importance of arresting the US inflationary spiral and restoring price and cost stability can hardly be exaggerated. It regards the need to rectify the US payments position as the most urgent remaining task in the field of international payments. Inflation is seen as a widespread problem among industrial countries. The report says the heightening of inflationary pressures in the past few years raises the most serious questions about the adequacy of economic policies pursued by the main industrial countries. A particular need is seen for greater adaptability of policy to changing circumstances, and the report discusses incomes policy as a means of affecting the movement of wages and prices in the public interest.

The report reviews deliberate international actions and other developments in 1969-70 affecting both the quantity and the composition of international liquidity, the most significant of which was the allocation of $3.4 billion of Special Drawing Rights (SDRs) on January 1, 1970 to 104 participant countries, marking an important extension of the Fund's responsibilities in the field of international liquidity. At the same time, the Fund's general account transactions and its other activities during the year were again substantial. Purchases of currencies from the Fund and repurchases both reached new high levels in the 1969-70 fiscal year and stand-by arrangements were approved for a larger total amount than ever before.

The report of the 116-nation Fund says that economic expansion in 1969 gathered momentum on the continent of Europe and was maintained at a high level is Japan. Primary producing countries received further stimulus to their trade and were able as a group to realise another balance of payments surplus in 1969, although many of them were affected by the higher cost and restricted availability of credit in international financial markets. While inflationary pressures became more acute in all industrial countries during 1969, the report points out that the year brought some progress in the area of balance of payments adjustment as the external positions and prospects of several European countries improved markedly. After the uncertainty and recurrent crises of the first three quarters of 1969, a remarkable change in the international financial situation occurred in the final quarter. This change stemmed both from developments in a number of countries (including the devaluation of the French franc in August, revaluation of the deutsche mark in October, a shift of the United Kingdom balance of payments into substantial surplus, and rapid improvement of the French external position) and from several international actions to improve the functioning of the international monetary system: the establishment of the Special Drawing Account in the Fund, the provision for another substantial increase in Fund quotas, and the agreement on South African gold sales to the Fund.

In the first part of 1970 the dominant feature of the world economy was the continuation of rapid and widespread inflation in industrial countries. Prices advanced at an average rate even higher than during 1969 and wage settlements were far in excess of the trend growth in productivity. At the same time, the overall growth of real gross national product (GNP) in the industrial countries showed a further deceleration.

Increase in World Output

Reviewing world trends in output, prices and trade, the report observes that the volume of total world output increased by about 5½ per cent from 1968 to 1969, even though the growth rate of the US, economy fell to less than three per cent during this period under the impact of restrictive financial policies. For countries other than the United States, taken as a group, the expansion of real GNP accelerated to some seven per cent in 1969, a rate markedly above the trend growth of 5½ per cent over the 1960s. It is especially noteworthy that the rate of increase in real GNP of the less developed countries from 1968 to 1969 matched that of the developed countries on a per capita basis, in contrast to the considerable lag for the 1960s as a whole.

The acceleration of price and cost increases in the United States continued during 1969, and the cooling-off process during the year, did not open up any marked degree of economic slack or make a real dent in the prevailing inflationary trends and psychology. In the United Kingdom, economic stabilisation policy reduced the growth of total output well below that of capacity, while the increase in prices accelerated. Output growth in other industrial countries matched or exceeded the previous year's high rate. In Germany, it was almost double the economy's long term growth rate. Growth was also exceptionally high in France, and in Japan the longest postwar boom continued without any apparent signs of slackening.

Price Rise Doubled

Taken together, the industrial countries experienced an overall price rise from 1968 to 1969 of nearly five per cent, roughly double the yearly average for the 1958-67 period. In the first half of 1970, the corresponding price rise reached an annual rate of close to six per cent.

The report states that, without determined and mutually reinforcing counter efforts, the international spreading of inflationary tendencies would inevitably handicap or frustrate domestic stabilisation programmes among developed and developing countries alike.

The situation of the US is crucial to any assessment, of the world economic outlook. At this juncture, the domestic stabilisation plan developed by the authorities early in 1969 is clearly behind schedule in slowing the pace of price and cost increases and, at the same time, it has had a more severe impact on the real economy than was expected or hoped for. The average annual rate of increase of about 5½ per cent in the GNP deflator in the first half of 1970 and the rise in the unemployment rate to nearly five per cent in the second quarter connote a difficult problem for economic management—one of avoiding prolonged and unacceptably high unemployment while bringing about a reduction in price and cost increases in response to policies of financial restraint. At stake in the success of these policies are the checking of the inflationary trend on a world-wide basis, the long-run stability and efficiency of the US economy, the much-needed strengthening of the US balance of payments position (especially on current account)

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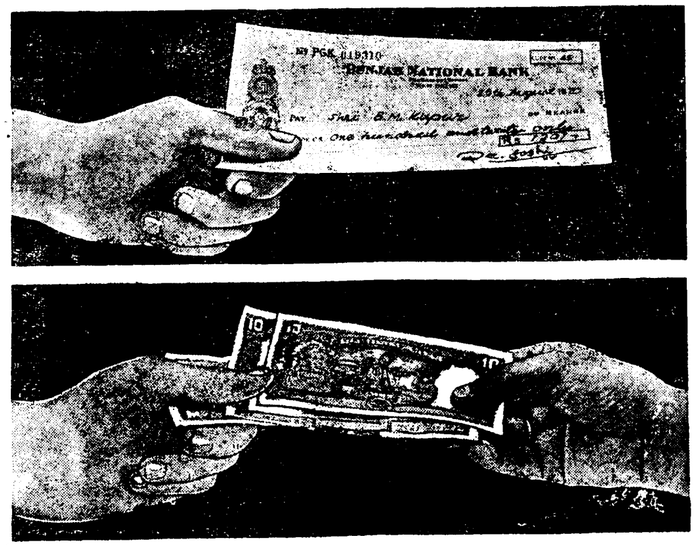

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The flow of international trade in 1969 clearly reflected the strength of demand and production in the world economy. The value of world exports expanded by an extraordinary 14 per cent from 1968 to 1969, attributable in marked degree to higher prices. In volume terms the 10 per cent expansion was still well above the trend prevailing over the 1960s. A slowing down of the rate of expansion in world trade is indicated by import trends in the industrial countries in the first several months of 1970, in view of the sluggishness of total output in the US economy and the slower economic growth that seems likely in the major European countries. The report reviews the strong and extensive boost to the exports of primary producers as a result of the rapid expansion of import demand in industrial countries in 1969. By late 1969 the collective terms of trade of the less developed countries were more favourable than at any time since the late1950s.

International Payments

Higher exports in 1969 contributed to the acceleration of output growth in the less developed countries, which also experienced further improvement in agricultural supply conditions in some areas, especially south Asia. In a number of less developed countries faster growth of domestic demand was facilitated by an easing of reserve positions and of balance of payments restraints, permitting the prudent application of somewhat more expansionary fiscal and monetary policies. Some of the highest rates of increase in imports from 1968 to 1969 were registered by the more developed primary producers and by certain of the less developed countries that are rapidly achieving a more diversified industrial base.

The report's examination of world trade includes a review of international price movements and price competitiveness. It says the global rise in international trade prices in 1969, although heavily influenced by developments in the US, also reflected widespread increases elsewhere. Even in such countries as Japan and Italy, where unit labour costs and export prices in manufacturing had been either stable or declining over many years, the period of stability appeared to have come to an end before the turn of 1969.

Reviewing international payments during 1969, the report observes that the pressure of monetary stringency in the United States was reflected in money and capital markets throughout the world, leading to a steep escalation of interest rates. Sensitivity of capital movements to changes in interest rates, along with periodic heavy speculation in foreign exchange markets, generated huge flows of funds across national boundaries. The high mobility of capital was facilitated by the Euro-dollar market, which expanded very sharply. Another feature was the changing of parities of the French franc and the deutsche mark. The sharp rise in interest rates aggravated the debt servicing problems of many primary producing countries. The net flow of capital of all types from industrial to primary producing countries seem to have been reduced considerably from 1968 to 1969. This was particularly evident among the developed primary producers. For the less developed countries as a group, there was a marked reduction in the current account deficit from 1968 to 1969 while the volume of net capital inflow was approximately unchanged. The overall payments surplus of $1.7 billion for this group was the highest on record, although balance of payments surpluses were concentrated in a limited number of countries. A common factor for many of them was the predominance in their exports of certain commodities for which world demand was particularly strong, as well as the achievement of increases in agricultural output sufficient to permit curtailment of imports. In certain countries the improvement in overall positions took place chiefly through successful stabilization programmes or realistic exchange rate adjutments.

Decrease in Adverse Balances

In the industrial countries, the reported change in the overall balance from a deficit of $2.5 billion in 1968 to approximately zero in 1969 masked some large fluctuations in the outturn for individual countries. These fluctuations were largely offsetting becuase of major shifts in capital flows. Despite the volatility of capital movements and the sharp fluctuation in overall balances some underlying improvement in the payments positions of several large industrial countries has become clearly discernible. Although some important problems remain and are indicated, the report finds the current situation appreciably better than that described in the annual report for 1969. It reviews the remarkable improvement in the UK's external accounts, and notes the disquieting recent development of the sharp advance in that country's internal costs and prices. It also notes the strengthening in France's balance of payments, which reached equilibrium in the opening quarter of 1970. In Germany, the structure of the balance of payments is apparently in a state of change, and the exceptional surplus on current account is expected to decline substantially as the effects of the October revaluation and the build-up in domestic demand pressures become manifest. Italy's large current account surplus and large net capital outflow in 1968 and 1969 is seen as less than satisfactory from either a domestic or an international point of view. By early 1970, the domestic economic picture and its balance of payments implications had changed sharply. In a situation of labour unrest and political uncertainty, there was, however, a further deficit in the balance of payments during the first part of the year.

Large Inflow

In the US, the balance of payments had assumed an unprecedented structure by 1969. This featured an abnormally low current account surplus and an extremely large net inflow of foreign capital. The report says that, in view of the sizable deficit in "basic" transactions, it is necessary for the monetary authorities to pay particular attention to the implications of domestic credit policy for the level of US short-term interest rates in relation to those abroad. The report states that the need to rectify the US payments position, without imposition of restrictions on current transactions, underscores the importance of the current programmes to stablise the domestic economy.

Japan's balance of payments was in substantial surplus both in 1968 and in 1969. Despite a strengthening of demand pressures during the past year the surplus on current account in Japan remained large in the first part of 1970. The report points to the difficulty, in this situation, for the Japanese authorities to reconcile the domestic and external objectives of policy inasmuch as measures to restrain excessive domestic demand will tend to maintain or increase the size of the current account surplus unless countered by other measures such as tariff cuts and abolition of import quotas.

Canada's unusually large surpluses in its basic accounts in both 1968 and 1969 were attributable chiefly to a large net inflow of long-term capital as capital markets in Canada tightened relative to those abroad. However, there were exceptional countervailing outflows of short-term funds. Developments in the early part of 1970, including very strong trade performances, led to marked upward pressure on the exchange rate and accelerating increases in official reserves. At the end of May 1970, the Canadian government announced that it had decided not to maintain the exchange rate for the Canadian dollar

within the prescribed margins around the parity of US$ 0.925 established with the Fund.

Policy Issues

Commenting on some policy issues involved in the operation of the international system, the report states that the heightening of inflationary pressures in the past few years raises the most serious questions about the adequacy of the economic policies pursued by the main industrial countries. Economic management in these countries over the past 25 years has been vastly better than in the inter-war period; however, with this improvement standards of performance have been raised successively. The record for the second half of the 1960s indicates scope for further substantial improvement in the economic and financial policies of industrial countries. Particularly needed is a greater adaptability of policy to changing circumstances. In general, the policy mix in industrial countries could be improved through a strengthening of fiscal policy, so that monetary policy could be geared relatively more to the external position than has proved feasible in the past. The report adds that an improvement in the instruments of fiscal policy is desirable but that even in present circumstances, a more active and timely use of fiscal policy should be possible and would contribute materially to the performance of demand management. It notes the failure of industrial countries to make timely adaptations of fiscal policy both during the widespread boom in late 1965 and early 1966 and in more recent years, and it observes that an improvement in domestic financial policies has become more urgent because of the increased integration of international money and capital markets. The report points out that the great strides which were made during the past decade in the development of international co-operation turned out to be more effective in the financing of balance of payments deficits than in promoting the adjustments of balance of payments positions. The latter purpose would be served by a further strengthening of international collaboration with respect to economic policies in general and monetary policy in particular.

Experience since the mid-1960s contains another clear lesson for policy in the desirability of coming to grips with inflation and balance of payments disequilibria at an early stage. There was an evident tendency for industrial countries at times to shade policy risks on the side of growth and employment and push toward their short-term objectives in those areas beyond a point that was prudent. These countries face the continuing task of seeking compatibility between stable prices and low unemployment. The proper handling of this and other structural problems is likely to require the development and use of additional specific policy instruments supplementary to the broad instruments of financial policy. The report says particular attention in this area focuses on what has come to be called incomes policy, consisting of a wide variety of possible measures to affect the movement of wages and prices in the public interest. Most governments have not as yet put very much emphasis on various other measures to influence wages and prices (such as import policy and efforts to enhance competition) or on measures relating to job training, labour mobility, and the like. All these, in due course, could lower the level of unemployment compatible with price stability and generally facilitate the task of demand management.

Strong Wage Spiral

The report says that the capacity of business firms and labour groups in many instances to push up money incomes at rates exceeding the economy's long-term productivity growth often makes it very difficult for fiscal and monetary policies alone to stop a strong wage-price spiral without costly economic and social effects. Regarding the form which an incomes policy should take and how it might operate, the report says there is obviously a very wide range of possibilities essentially dependent on the social and political setting in individual countries. It emphasises that measures of the kind embraced under incomes policy cannot be successful unless their essentially supportive or supplementary nature is kept fully in mind.

Calling for a continued and vigorous application of the available instruments in the current fight against inflation, the report points out that the appropriate policies of restraint must be carried out against the background of a strong tendency toward the international propagation of inflationary tendencies. The importance of a simultaneous approach among the industrial countries resides in its mutually reinforcing character and in the psychological effects that such an approach would evoke.

The report concludes this portion of its review with the hope that the period ahead will witness a major improvement in the volume, quality, and effectiveness of development assistance.

In its discussion of Fund activities, the report says the period under review was one of the most eventful both for the Fund and for the future of the international monetary system, marked as it was by an important extension of the Fund's responsibilities in the field of international liquidity. Purchases of currencies from the Fund, repurchases and the total amount of stand-by arrangements reached new high levels.

Important decisions by the executive directors bearing on Fund transactions included one in December 1969 relating to South Africa's sales of gold to the Fund and another in June 1969 in connection with the study of the problem of the stabilisation of prices of primary products. Two major industrial countries, France and Germany, established new par values for their currencies in August and October 1969 respectively, and at the end of May 1970 the Canadian authorities notified the Fund that Canada would, for the time being, not maintain the exchange rate of the Canadian dollar within the existing margins. All these developments had a bearing on the examination of the mechanism of exchange rate adjustment, which has preoccupied the executive directors during much of the period following a report by the executive directors in December 1969, the board of governors adopted a resolution authorising a substantial increase in members' quotas aimed at adjusting the size of the Fund to the growth of the world economy. Four countries joined the Fund during 1969/70 and one in May 1970, bringing total membership to 116.

Convertible SDRs

Reporting on the operation of the Special Drawing Account, which began on January 1, 1970, the report states that the executive directors adopted several decisions to enable two important types of transactions to take place. Two of these decisions related to transactions in which participants use SDRs to obtain currency convertible in fact from other participants that are designated by the Fund. A third decision authorized participants to use SDRs in the payment of charges to and in repurchases from the general account. During the period January to June 1970, forty-six participants used a total of (SDRs) $49 million. The report discusses SDR designation procedures and quarterly plans, and currencies and conversions used in designated transactions. It observes that in the January-June 1970 period, participants that used SDRs in such transactions generally requested US dollars. Relatively small amounts of French francs, Belgian francs and sterling were also provided on occasion.

The report discusses the proposals for quota increases which, if all members consent to the maximum quotas offered to them, will increase the resources of the Fund by about 35.5 per cent to approximately $28.9 billion. The comparatively large growth in the world economy since the last review of quotas in 1965 is reflected in the economic variables used in quota calculations. Allowance is made for members' exports, imports and invisible trade as well as for the level of members' external reserves and national income. As the report explains, further important considerations include various developments affecting the need for conditional liquidity, the availability of unconditional liquidity, and the maintenance of a balanced distribution of quotas within the whole membership of the Fund. The report also explains a number of different arrangements for mitigating the impact on members' reserves of gold payments to the Fund arising from quota increases. It says that most increases in quotas may be expected to become effective between October 30 and December 31, 1970.

Purchase of Gold

In its discussion of the Fund's gold policy, the report explains the Fund's decision to purchase gold from South Africa. During the first six months of 1970, the Fund purchased $307 million of gold from South Africa, of which the equivalent of $34.8 million was in respect of a request previously made by South Africa to obtain £14.5 million from the Fund's currency holdings.

In the Fund's general account, by far the larger proportion of the record level of financial assistance extended by the Fund in 1969/70 went to industrial countries. This reflected the payments imbalances among these countries and uncertainties in the foreign exchange markets. Some of these countries met the strains by using reserve positions in the Fund to supplement their other reserves. Purchases by developing countries continued to decline, reflecting to some degree a general improvement in the balance of payments positions of these countries as a group and their use of SDRs.

A considerable portion of net purchases (purchases minus repurchases) represented the drawing down of super gold tranche positions by creditor countries. In the light of the change in the status of the gold tranche under the amended Articles of Agreement (for purchases in the gold tranche members' representation that they have a balance of payments need is no longer subject to challenge by the Fund) the executive directors decided in September 1969 that gold tranche purchases should not await their prior approval but should be effected automatically and as promptly as practicable. The service charge of 1/2 of 1 per cent was abolished on gold tranche purchases made after July 27, 1969, and a decision adopted in March 1970 provided that the procedure for purchases under stand-by arrangements be simplified, similar to the revised procedure for executing gold tranche purchases.

Purchases during 1969/70 by 33 members in 17 currencies amounted to $2,996 million and exceeded the previous year's record by $157 million. This figure includes $2,261 million purchased by 22 members under the terms of stand-by arrangements. France and the UK each accounted for about 44 per cent of total purchases under such arrangements. Twenty-three stand-by arrangements were approved during the year authorizing purchases up to $2,381 million, the largest amount approved in any fiscal year. Repurchases reached a record $1,671 million, of which $934 million repurchased by the UK accounted for 56 per cent of the total. In its discussion of resources available for financing Fund transactions, the report also notes the equivalent of $5,074 million unutilized as of April 30, 1970, under the General Arrangements to Borrow (GAB).

The Fund is required in its Articles to pay a return to members on the amount by which 75 per cent of a member's quota exceeds the average of the Fund's holding of its currency. For the fiscal period July 28, 1969 through April 30, 1970, remuneration at 1¼ per cent amounted to $27.2 million and was paid to 32 members in May 1970. Payments was made in SDRs, gold and currencies. After payment of remuneration, the Fund's net income for the fiscal year ended April 30, 1970, amounted to $57.6 million.

International Liquidity

Developments in 1969-70, notably the allocation of SDRs, affected both the quantity and the composition of international liquidity. Developments with respect to accrual of gold to monetary reserves also entered a new phase at the end of 1969 when agreement was reached on the terms under which the Fund would purchase gold from South Africa. In the field of conditional liquidity, action has been taken in the past year to initiate an important increase in Fund quotas, thereby increasing the potential size of the Fund to approximately $28.9 billion. Aside from these deliberate actions, international reserve developments have also been affected by policy actions and economic developments in a number of major countries. The successful adjustment of payments imbalances in the UK, France, and Germany resulted in a notable improvement in the distribution of reserves and permitted substantial progress to be made by the UK and France in repaying earlier credit assistance. These repayments were sufficient to effect an important net reduction in the credits outstanding under swap arrangements and related short-term credit facilities of central banks and treasuries.

Official holdings of US dollars in 1969—70 were subject to very substantial fluctuations, reflecting in part unusually large movements in dollar balances of private external holders attributable to currency speculation and to foreign borrowings and repayments by US banks in response to international differences in interest rates and credit conditions. In 1969 as a whole, official holdings of US dollars declined. In the first few months of 1970, however, these holdings expanded again in amounts considerably exceeding the earlier decline. This increase in reserves held in dollars, together with the SDR allocation, the modest expansionary impetus provided by sales of gold to the Fund and the increase in official sterling balances, led to a sharp expansion in world reserves in the first quarter of 1970. These considerably outweighed the contractionary influence of net repayment of swap credits.

Slow Pace of Reserves Growth

Reviewing the slow pace of reserve growth in 1969, the report says that world holdings of gold, foreign exchange and reserve positions in the Fund rose by only $0.2 billion on balance, to $76.9 billion. Noting the changes in the sources of this growth, the report points out that official reserve totals fluctuated exceptionally sharply in the course of the year, reflecting in the main large flows of dollars between private and official holders in response both to uncertainties concerning exchange rates and to differences in conditions in national money markets.

The report provides an analysis of the components of adjusted global reserves for the 1960-69 period. Between 1964 and 1968, accruals to reserves from traditional sources had ceased and become negative on balance. As a result, the increase in global reserves slowed down and became dependent on new reserve sources stemming essentially from credits granted in connection with balance of payments assistance. In 1969 there was a sharp change in the components of reserve growth. Countries' holdings of gold increased by $0.2 billion following three successive years of decline. This shift reflected the cessation of gold sales from official stocks to the private sector after March 1968. In calculations underlying the first allocation of SDRs, allowance was made for some modest increase in official gold holdings. The agreement under which the Fund would

purchase gold from South Africa should help contribute to such an increase and, together with the arrangements of March 1968, provide assurance against a renewed decline in gold stocks of monetary authorities.

The report says that the tendency towards a reduction in official dollar balances that was apparent at the time of the formulation of the managing director's proposal for the allocation of SDRs seems unlikely to continue. A considerable reflux of externally held dollars from private into official hands occurred in the first quarter of 1970 and officials claims on the US increased by almost $2½ billion. The report also notes that increases in US reserve assets over the past two years, which resulted from an inflow of short-term funds rather than from an improvement in the underlying payments position, would enable the US to limit the increase in its official liabilities in connection with the cessation or reversal of the earlier movements in short-term capital. The SDR allocation proposal made an allowance for a possible rise in official holdings of US dollars over the ensuing three to five years of some $0.5 billion to $1 billion on average. The recent sharp movements need to be seen in the perspective of the shift in the other direction in 1968 and 1969. It is too early to form any considered view of the significance of these recent tendencies for the medium-term period. Moreover, to the extent that a substantial proportion of any large official settlements deficit were financed by a reduction in US reserve assets, this would help to avoid an excessive expansion of official holdings of dollars of other countries and of international reserves in general.

Reserves in Sterling

The largest single source of reserve growth in 1969 was in the form of reserves held in sterling. Such reserves rose by approximately $0.8 billion in that year, and they rose further in the first quarter of 1970. The Managing Director's SDR proposal had made no specific provision for increases in sterling reserves and the UK authorities have indicated that a continuing increase in these balances is not expected.

Credit creation through the general account of the Fund reached $0.2 billion in 1969, while creditor positions under swaps granted by countries other than the US declined by $0.4 billion. Thus, reserve creation as a by-product of credit operations exerted a net contractionary force in 1969, contrasting with substantial net credit creation from this source in the 1964-68 period. In the early months of 1970, exceptionally large repayments of central bank credits were made by both France and the UK.

The report indicates that aside from the increase in reserves held in sterling in 1969, the other large positive component of reserve changes was in the item comprising miscellaneous holdings and residual adjustments, including the effect of the appreciation in the value of balances held in deutsche mark.

The assumptions adopted as a basis for the first allocation of SDRs made an estimate of future reserve growth from other sources of $1—1½ billion per annum. In 1969, chiefly because of the reduction in official holdings of US dollars, aggregate reserve creation was somewhat lower than the projection in the proposal, which related to a three-year to five-year average commencing in 1970.

Drop in Gold Holdings

Turning to the composition and distribution of reserves, the report indicates that at the end of 1969 countries' gold holdings accounted for 52.8 per cent of worldreserv es. Reserve positions in the Fund represented a further nine per cent of the total, while the remaining 38.2 per cent was held in the form of foreign exchange. These shares were not significantly different from those of a year earlier. The allocation of SDRs on January 1, 1970, added 4.6 per cent to world reserves. Largely as a consequence, the share of countries' gold holdings had dropped about 50 per cent by March 31, 1970. Reserve positions in the Fund's general account amounted to over nine per cent and foreign exchange holdings to approximately 37 per cent.

There were marked changes in the distribution of reserves in 1969. Less developed countries' reserves increased by $1.3 billion or 9.5 per cent and these increases were concentrated among relatively few countries. In contrast, over the longer period from the end of 1960 to the end of 1969, increases in reserves were spread over a wide range of less developed countries, being shared by all geographic areas. On March 31, 1970, less developed countries accounted for 21.3 per cent of world reserves, compared with 13.6 per cent at the end of 1962. Reserves of the more developed primary producing countries accounted for almost 10 per cent of global reserves at the end of 1969, much the same magnitude as a year earlier. The share of industrial countries in world reserves continued to decline and at the end of 1969, the reserves of these countries totalled $51.8 billion, about 70 per cent of the world total and not greatly different from the level of five years earlier. There were marked changes in distribution among individual countries, and these movements in aggregate reserves entailed a substantial redistribution of gold and of reserve positions in the Fund. The course of official reserves in 1969 was influenced still more markedly than in earlier years by flows to and from commercial bank holdings of foreign exchange. Substantial flows from money market assets denominated in European currencies for investment in the Euro-dollar market caused strains on official reserves and on domestic liquidity in several European countries. In a number of these instances, the monetary authorities drew on swap facilities and also sought to counter the pressures created by the Euro-dollar market by regulating the net foreign asset position of their commercial banks. In contrast, banks in Japan and, to a lesser extent in Canada, increased their net foreign positions.

Fund members had available at the end of May 1970 conditional drawing rights in the form of unutilized credit tranches in the Fund to a total of over $17 billion. The report discusses the increase in these credit facilities for members to the extent of the increases in quotas taken up under the fifth General Review. In addition, industrial countries had available at the end of 1969, credit facilities with national central banks and treasuries of $19.9 billion.

Foreign Exchange and Gold

The report also reviews major developments on the gold markets during the year. The relative fall both in the demand for gold and its price after March 1969 can in part be attributed to a change in expectations regarding a possible revaluation of the official price of gold. Consequent to the March 1968 agreement, for the first time in a number of years, additions to the supply of gold on the private market were determined largely by current output of gold. The total new supply of gold amounted to the equivalent of $1,408 million in 1969. New supplies of gold placed on the free market during 1969 are estimated in the report at about $1.3 billion. About $148 million, or about 40 per cent of estimated gold production during the first quarter of 1970, was placed on the free market during that period. Industrial and artistic demand for gold in 1969 is estimated at about 930 million, rebresenting about 72 per cent of the newly available gold placed on the free market, or 65 per cent of current gold production. Gold production was virtually unchanged in 1969 at 40.7 million ounces valued, on the basis of $35 a fine ounce, at $1,425 million. Total record official stocks of gold rose by about $110 million to a total of about $41 billion by the end of 1969.

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From the Press Gallery	PG
Window on the World	WW
The Moving Finger Writes	MF
Trade Winds	TW
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Records and Statistics	RS
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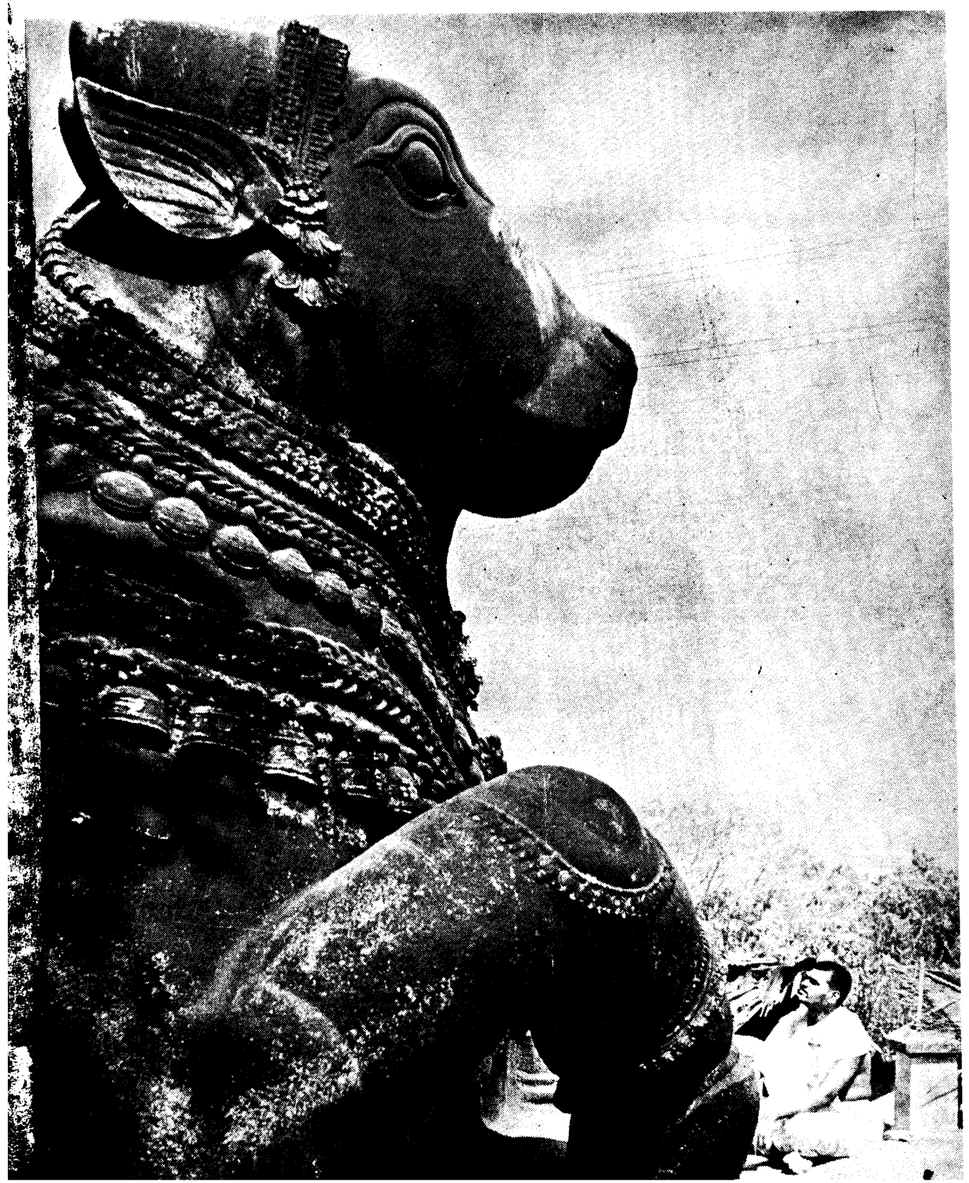

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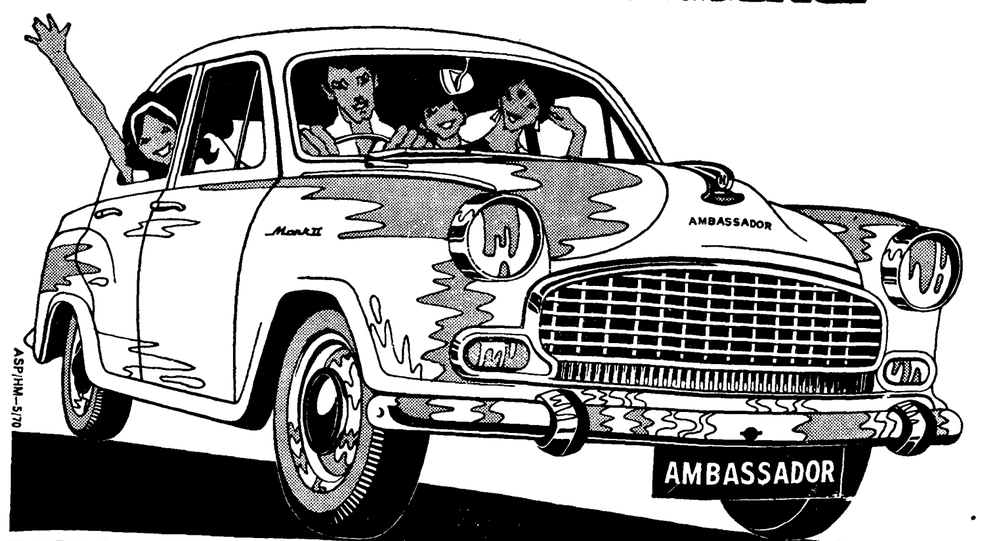

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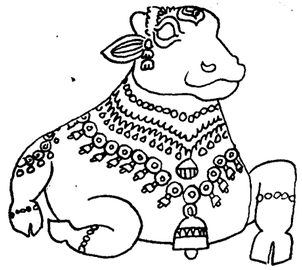

MYSORE

EASTERN ECONOMIST

SEPTEMBER 25, 1970

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ON THE MOVE

DECADES BEFORE India entered the planning era, Mysore was a pioneer in industrialisation. The state's immense natural resources and the efforts of a dedicated administration had secured for her a unique place in Indian economy.

In the years following independence, Mysore has been going forward along with the other states of the union. The achievements of the plan periods have been substantial but by no means spectacular. Having had a long start, it was expected that Mysore's economy would take off much earlier than that of many other states. On the contrary, the state has fallen back even in comparison with some of her neighbours. The formation of the new state of Mysore no doubt slowed down the pace to a considerable extent; but this hardly explains the real causes of what may be called the deceleration of the economy.

A representative of *Eastern Economist* who met a wide cross-section of industrialists and officials connected with the state's development gathered the impression that progress is delayed and sometimes denied too largely because of the pervasive red-tape and more often bureaucratic unwillingness to take crucial decisions at the right moment for fear it might be unpalatable to the political bosses.

Mysore is pre-eminently qualified for a break-through. Her vast natural wealth, congenial climatic conditions, deep-rooted tradition of industrialisation and more than all, the absence of communist virus in the labour-force give her an undoubted advantage which may well be the envy of many states. *Mysore On The Move* is an attempt to focus attention on the problems which hamper progress and to assist in injecting the necessary confidence for the realisation of the goals so eloquently enunciated by the Chief Minister Mr Veerendra Patil.

Mysore—Planning Progress

VEERENDRA PATIL

Chief Minister of Mysore

WE IN India are committed to a socialistic pattern of society. We seek to provide equality of opportunity to all our citizens, and to the extent possible, a redistribution of income so that the gap between the rich and the poor is reduced. Ultimately what we want is an economy in which all our citizens have a sufficiency of the things that go to make up a good standard of living. In India, our problem is one of vast potential and scarce financial resources, of steadily increasing population with inadequate means with which to spread the benefits of progress. We are faced perpetually with the problem of running as fast as we can so that we may remain in the same place, because our rapidly increasing population nullifies every effort which we make to achieve progress and a better standard of living.

Our problem also in one of vast unemployment and under-employment. No one can say exactly how much unemployment there is in our country, and I do not know whether the statistical assessments are in any way accurate. But it is certainly true that unless we provide employment for our people, the spirit of individuality, which already burns within us feebly, will be wiped out. It is impossible for the government to undertake all activities in our country because our population is too vast and too diverse for such an action to be democratically feasible. It is important that our people learn in some measure a self-reliance independent of the vast activities which the government undertakes. Else, we may well become a country in which wealth grows, but men decay. Of what use would this be!

Unemployment : Major Problem

Channelling our scarce financial resources so as to achieve the maximum benefit to our people is the reason for our plans. I have always felt unhappy that the plans we have drawn up end with more people unemployed than they begin with. I do believe that we must concentrate our attention more on the problem of unemployment in our country.

In Mysore, economic problems are similar to those in other parts of the country except that there are naturally certain variations in emphasis from region to region. We are very poor compared with the Government of India. Our annual budget just exceeds Rs 200 crores and our plan expenditure for the fourth five-year Plan will be only of the order of Rs 350 crores. Even out of this Rs 350 crores, we shall be dependent on central assistance to the extent of Rs 173 crores. It is obvious that the framework within which our planners are required to function is extremely limited. Our achievements must be judged in relation to the finance we have had at our disposal.

I am not committed to any isms. I believe in one thing which is that the people of Mysore state should become as prosperous as is possible. To achieve this, it is necessary to build industry, it is necessary to create markets for industry, it is necessary to build irrigation projects which will ensure the long awaited green revolution for our people. Of what good is wealth if we do not also create the institutions necessary to make democracy effective? We must spend both wisely and well on education and social services, so that an educated and discerning public may be able to judge our actions.

Role of a Catalyst

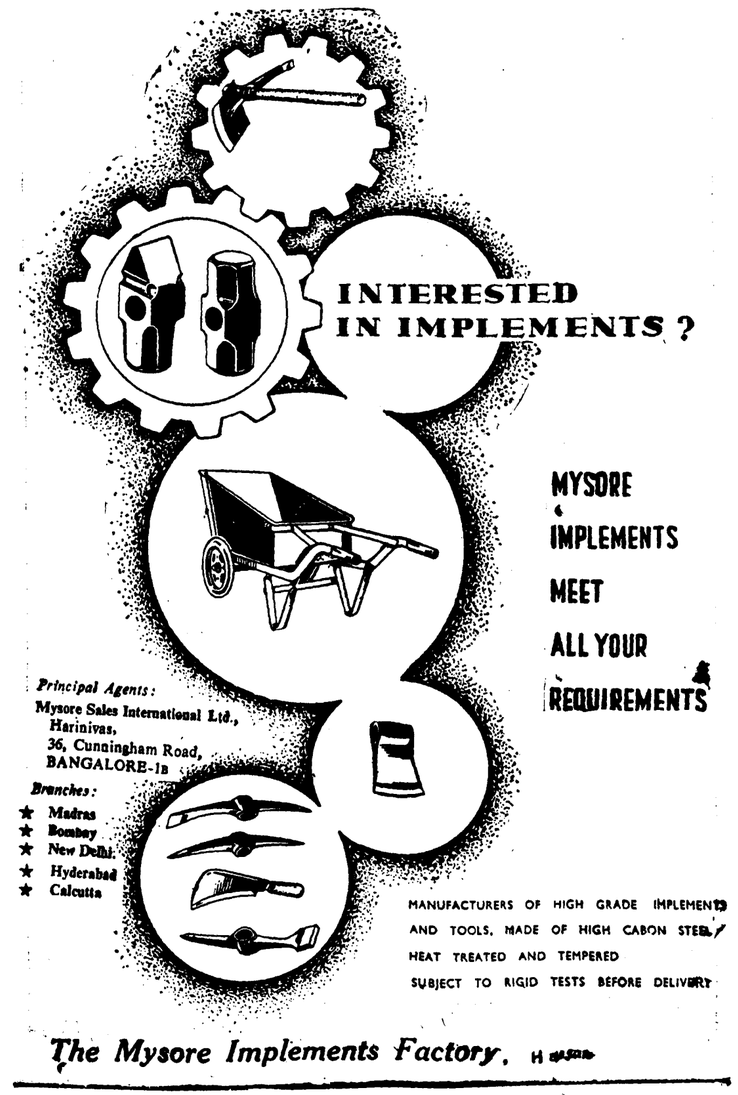
There is a tradition in Mysore state that the government should play the role of a catalyst in industry. In a region which was essentially backward industrially, Dr Visveswarayya laid the foundations for industrial growth. The unique feature of Mysore state is the number of industries which have come up with joint participation, government and the private sector both having a substantial interest. It is a moot point whether we should allow the means of production to be regulated in any manner by the private sector, but as far as I am concerned, I have always taken a pragmatic view of the question. We do not in Mysore state have sufficient money to put up all the industries we need. I should rather say that we concentrated our scarce finance in projects which the industrialists would not be interested in putting up. The irrigation projects, the power projects, the formation of the infrastructure necessary for industry, these are essential projects which yield a slow rate of return on the money invested in them. It is therefore, natural that the government undertakes these works. But Sharavathy alone cost us Rs 100 crores. The Upper Krishna Project will cost us Rs 160 crores and if we are to concentrate our attention on such projects, what will be left for industry? Our policy is therefore to provide the infrastructure necessary for a firm industrial base in Mysore state and, by means of adequate incentives, to attract industrialists to put up industries in our state. We have also taken a number of decisions which are intended primarily to attract industry to our state.

Power in Abundance

We have established our position as the one southern state with substantial power and with a vast potential for hydro-electric power, the production of which we will substantially advance by taking up the Kalindi project in the North Kanara District. We have established a good network of road communication and we have pressed the Government of India hard to put up more railway lines in our state so that industry may spread from one side of the state to the other, and the products of industry can reach the consumer in any part of the state. We have offered tax concessions in respect of new industries and our Industrial Development Areas Board, which has been constituted by an Act of the Legislature, is authorised to acquire large tracts of land for developing into industrial zones.

Industrialisation on a substantial scale has been achieved in our state and much more will come because the fruits of our policy are just beginning to be gathered. However, bureaucratic procedure and red-tape still continue to stand in the way of the progress which we must achieve in industrialisation. A number of applications for licences for plants to be put by private parties in Mysore state are smothered in the huge ministerial empires of New Delhi. Something must be done about the licensing procedure of the Government of India. The Prime Minister herself, when she wrote to me about two years ago, spoke of the 'elephantine gait' of the union government's licensing procedure. However, how this licensing procedure can be improved is a matter to which the central government must devote some attention.

If we seek employment for every citizen in Mysore state, we must necessarily develop industry. But industry alone will not be enough unless we develop also an adequate standard of living for the vast population in the rural areas, so that a demand is created for the products of industry. The major irrigation projects in our state which



cost much money but yield a slow return will not only increase the production of foodgrains per acre, but will also help to vastly increase the economic prosperity of the average rural family.

We have also turned our suplus power production to advantage by rural electrification programmes and by energising irrigation pumpsets in the rural areas. In order to achieve this we have been tapping financial assistance available from banks to the maximum extent possible. In the last two years, we have energised nearly 40,000 irrigation pumpsets, bringing the total number energised in Mysore state to 115,000.

During the next 10 years, which constitute the decade of the seventies, we have 10 major goals for achievement which were stated in my colleague Mr Ramakrishna Hegde's budget speech this year. These are as follows :

1. A total investment, government and the private sector, of about Rs 2,000 crores, leading to substantial progress towards doubling the annual rate of growth of per capita income.
2. Employment for every able-bodied adult citizen who needs it.
3. Self-sufficiency in foodgrains and export to places outside the state.
4. Eradication of the economic and social handicaps that sustain untouchability.
5. Diversification and widespread growth of industries, and encouragement to the entrepreneur.
6. Improvement in the quality of the social services, particularly in education and medical services.
7. Completion of Ghataprabha, Malaprabha, Kabini, Hemavathy and Harangi projects, and substantial progress with the major and medium irrigation projects in the Krishna and Cauvery basins. Sinking of an additional 2,00,000 irrigation wells and energising an equal number. Increase in the percentage of irrigation to at least 20 per cent of the total cultivable area.
8. A sizable addition to power generation, through the Kalinadi project, thereby raising the per capita availability of power still further.
9. A long-term programme for urban development.
10. In all fields, emphasis on consolidation of gains achieved and a cultural renaissance, in the field of Kannada literature, music, dance and art—and those interests which make for a full life.

In the last analysis, we are moving rapidly towards industrialisation with its consequent benefits. Our state is one of the major power producing states in the country; we now have a major aluminium factory in the state and we shall shortly have a steel plant at Hospet; we are making use of our rich mineral ores to earn foreign exchange; we have programmed to revolutionise agriculture in the less-developed regions in the state; we have a well-developed and co-operative labour movement; and, with the four universities functioning in the state, we are investing in the preparation of our manpower so that the pillars which support our democracy may be further strengthened.

Border Issue : Political Solution ?

A SPECIAL CORRESPONDENT

The Mysore-Maharashtra border controversy is being deliberately inflated into a political crisis. This is typical of the current political opportunism in the country. That the controversy has become the major pre-occupation of the two states in which the centre is inevitably involved as an interested party admits of no doubt. During the decade and a half that this question has been hanging fire no great harm had come to either of the states. The recent attempts by politicians and Maharashtra to blow up this comparatively trivial issue and create a constitutional crisis by getting the Maharashtra assembly adjourned sine die is only a part of the game. An attempt is being made for a showdown which would benefit no one, neither, Maharashtra, nor Mysore much less the country as a whole. This article written by a Special Correspondent presents Mysore's case on the issue.

THE MYSORE-Maharashtra border controversy has become the preoccupation of two state governments diverting their attention from more fundamental problems of economic development. Passion have been roused. Agitations have been organised. Public property has been destroyed. But the problem continues. People in the border areas live in a state of uncertainty. When there is no such controversy in the rest of India why should Mysore and Maharashtra alone continue to be afflicted by it? The States Reorganisation Commission gave its verdict. Mysore accepted it. But Maharashtra did not. Again, to assuage Maharashtra, the one-man Mahajan Commission was appointed to give its final solution to the problem. Again Mysore accepted the Commission's recommendations. But Maharashtra would not. The issue is sought to be reopened. The Government of India is asked to give its political solution. But if the conclusions of two statutory commissions failed to end the dispute, can a political solution of the present government, constituted as it is, bring about a final settlement? As the issue is being tackled at the political level, the political aspects of the problem deserve close consideration. But economics, irrespective of language or numbers, is no less important.

Parliament gave its approval to the States Reorganisation Commission's recommendations with some modifications. Maharashtra's representatives in Parliament moved a series of amendments with a view to bringing into Maharashtra the areas (with a majority of Marathi speaking people) proposed to be made part of Mysore. All the amendments were rejected by Parliament just as the States Reorganisation Commission, before whom too exactly the same arguments were placed, had done earlier. Mysore accepted Parliament's decision as final and binding on all parties as most of the other states did. But within a year the Maharashtra government submitted a memorandum to the Government of India urging the reopening of the border issue with Mysore.

From the beginning Mysore was opposed to the reopening of the issue settled by Parliament. But under political pressure from Maharashtra the Congress Working Committee recommended the appointment of a one-man commission to consider Maharashtra's claims. It was explained at the time that the one-man commission was being appointed so that there would be no scope for majority and minority recommendations, and that the verdict of the one-man commission would be unanimous and final. Mysore suggested a three-man commission. But this was not accepted. The Maharashtra

leaders categorically stated that they would regard the Commission's recommendations as final and binding on all parties. The Mysore leaders also made a similar declaration. But when the one-man (Mahajan) Commission's recommendations were announced, they were promptly rejected by Maharashtra which characterised them as 'unprincipled'. Again, Mysore accepted the Commission's verdict consistent with its earlier declaration.

Delay in Implementation

Now Maharashtra has urged the central government to come to a political decision. Mysore has maintained that the central government should implement the Mahajan Commission's recommendations. The Commission's report has not so far been placed before Parliament for consideration. Whoever puts forward a political solution must first explain to Parliament why the conclusions of the States Reorganisation Commission and the Mahajan Commission were being set aside. Any impression that the Mahajan Commission's recommendations confer special benefits on Mysore is of course absurd.

Out of a total of 814 villages claimed by Maharashtra, 264 villages have been recommended by the Commission to be transferred to Maharashtra along with the important towns of Nipani, Khanapur and Nadgad. Forest areas with immense natural resources and important trading centres on which the Kannada speaking hinterland depended are to be detached from Mysore. In Khanapur area the sites for the Malaprabha, the Tattihalla and the Janakatti projects, which are now in an advanced stage of consideration, would be lost to Mysore. These projects are to irrigate lands in Khanapur taluk as well as in Belgaum and Dharwar districts. In Belgaum city itself, the water supply works situated in Rakkaskop village and the Central Jail of Hindalga are to be transferred to Maharashtra. If Mysore is prepared to abide by the Commission's recommendations in spite of all these disadvantages the only reason, according to Mysore leaders, is that they sincerely wish to see the end of the controversy. Incidentally, in this controversy, no one seems to be bothered about the people living in the disputed areas. How long can they live in a state of uncertainty?

The Maharashtra government in its memorandum to the Government of India suggested three principles on the basis of which it would like the boundary with Mysore to be drawn. One is that the village should be taken as the unit. The second is that a simple majority of a linguistic group should suffice. The third is that the relative majority of a linguistic group should be the deciding factor where no linguistic group has absolute majority. According to Maharashtra's principles of 51 per cent speak Marathi in a village, it should be included in Maharashtra. Supposing after a few weeks 20 Marathi speaking people in the village migrated to the nearest town, say in search of employment—and this is no unusual or unnatural—then the Marathi speaking population would drop down to 49 per cent. What then is to happen to this border village? Should it again be transferred to Mysore? Or, should Mysore launch an agitation to get back this village? Or, is there to be a permanent statutory machinery to ensure that the compositions of the population in a village or for that matter even in a border taluk or district, should remain unchanged for all times. The argument can be carried to such lengths as to make the entire controversy look ridiculous. India is one country and the movement of people from one place to another inside the same state or outside is natural and common. It is absolutely impossible to produce an ideal unilingual state where the mother tongue of the entire population is the same. Even in the 814 villages with a total population of 671,000 claimed by Maharashtra, there would be 135,000 of Kannada speaking population and 140,000 of people speaking other languages. In other words, in order to get 396,000 of Marathi speaking people inside Maharashtra, another 275,000 of people speaking other language have also to be roped in. And if these 275,000 of people do not wish to go to Maharashtra, what is to happen ?

Practical Difficulties

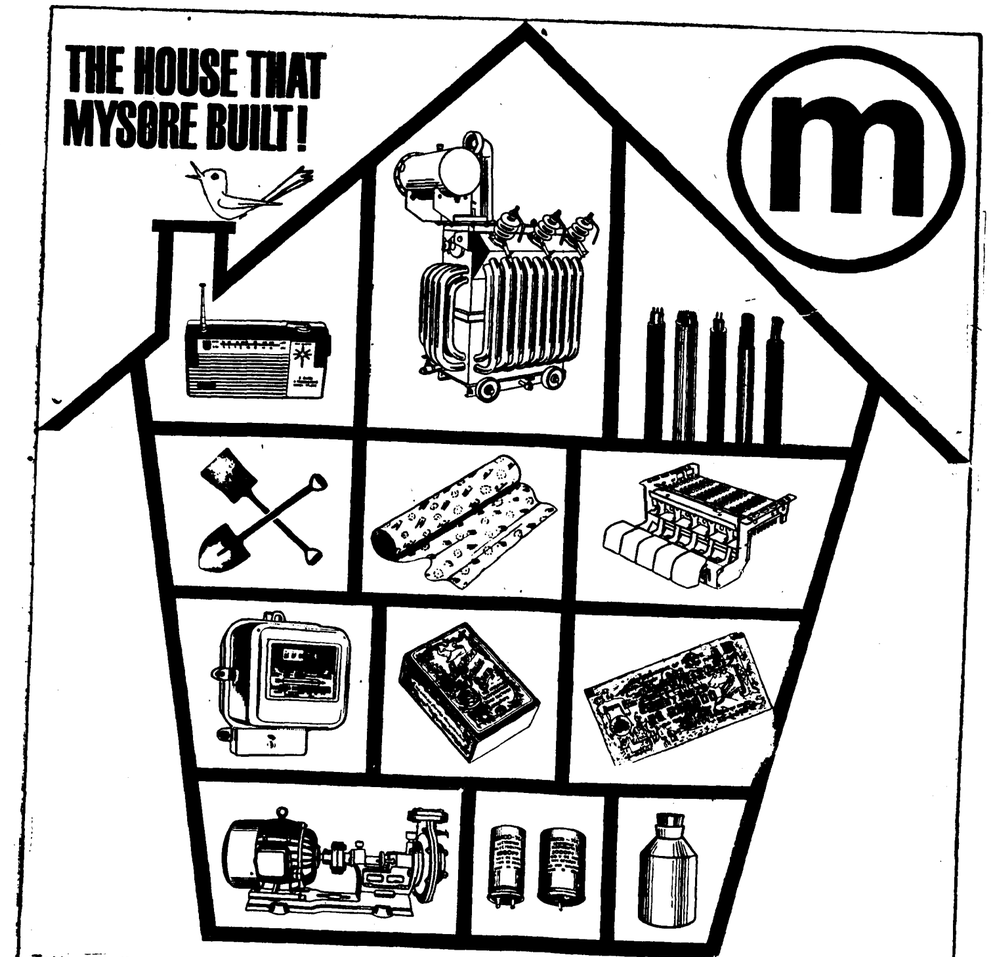
It is the practical difficulties involved in the problem that led Justice Mahajan to observe : "I have not been able to discover any scientific formula evolved by social or other sciences that a village unit is a proper yardstick for attaining linguistic homogenity". The same difficulty prompted former Home Minister, Govind Ballabh Pant to say, while piloting the States Reorganisation Bill in Parliament, that "so far as the border differences are concerned they can be settled better if we have no rigid formula than by sticking to a particular formula". The then Chief Minister of Bombay, Mr. Y. B. Chavan, speaking in the state assembly, said : "I would say that a negotiated settlement was the only way to solve this question and merely mechanical and mathematical ways do not solve questions where the lives of millions of people are involved". This takes one to the question of the position of the linguistic minorities in the states. Mysore leaders ask : Is this cry for more territory in the name of linguistic homogenity intended to suggest that Mysore has not treated the Marathi speaking people in the state properly? They point out that there are 2.0 millions of Telugu speaking people, more than 850,000 of Tamil speaking people and nearly 500.000 of Konkani speaking people in Mysore, not to speak of other linguistic minorities.

Satisfied Minority

In factthe linguistic minorities in Mysore form 35 per cent, the total population of the state, the largest for any state in India, Mysore leaders point out with satisfaction that with the exception of the Marathi speaking minority, no other linguistic minority has said a word of complaint against the Mysore government. And here too, they put the blame on Maharashtra leaders outside Mysore and not on the Marathi speaking people living in Mysore. In Maharashtra itself there are one million Gujarati speaking people, 600,000 Kannada speaking people and more than 2.7 million Urdu speaking population. Why then this demand for bringing more Marathi speaking people into Maharashtra along with more non-Marathi speaking population? Mysore proudly claims that its treatment of linguistic minorities, particularly the Marathi speaking community, has been more than fair and has earned the appreciation of the Commissioner for Linguistic Minorities.

The Mysore government has also produced statistics to establish that the former district of Bombay, which became a part of Mysore in 1956, have greatly improved economically, and otherwise in the last 15 years. The figures in regard to the controversial district and city of Belgaum are impressive. Belgaum has grown over the past 15 years as a nerve centre of the district and the divisional administration as an important centre of trade and commerce and industry and as the seat of education for a vast population converging on Belgaum. Any division of the city would create problems for a vast number of people.

A relevant point to be noted in the context of the central government's partition plan is that even if a third of the city is transferred to Maharashtra, the population of Marathi speaking people in the rest of Belgaum city would still be about 45 per cent which is the same as for the entire city now. What then is the sense in taking away a part of a city and attaching it to another state? All the facilities which a modern state can provide are in the two-third of the city which would remain with Mysore. The division of the city of Belgaum is a political solution. In fact the agitation in Maharashtra was intensified after the Congress split last November when the Shiv Sena



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leaders realised the dependence of the Prime Minister on Maharashtra's support for her continuance in office. The problem is complicated because while the Maharashtra government is run by the Prime Minister's party, the Mysore government is run by the Organisation Congress. Mysore insists on the implementation of the Mahajan Commission's recommendations. A desirable solution in the circumstances would be to maintain the *status quo*. It is the task of the centre to ensure that the rights and the privileges of the linguistic minorities are fully preserved and respected.

Maharashtra has a grievance that even areas with an overwhelming Marathi speaking population and contiguous to Maharashtra have been kept in Mysore state. If the simple majority basis is accepted it has a justifiable claim for more territory. But this basis has been rejected consistently by several Commissions and by Parliament. If Maharashtra's demands were carefully examined and whatever territory it merited was retained in Maharashtra itself without transferring it to Mysore even in 1956, no one in Mysore would have a grievance. But after nearly 15 years, when Mysore has devoted so much time and energy and resources to develop the area transferred to it and when the people of the area have adjusted their ways of living to the economic conditions obtaining there, it would be callous to upset this arrangement and reintroduce an element of uncertainty and arrest the progress of the people again to satisfy the ambitions of some politicians.

The best solutions seems to be to let the Chief Ministers of the two states know that the centre would not intervene unless they put forward an agreed formula and that otherwise it would have no alterntative but to implement the Mahajan report. Any imposition of a political solution from the centre would breed bitterness and provide an opportunity for extremist and lawless elements to gather strength, particularly in Mysore, which has so far been free from this virus.

The Fourth Plan : An Approach to Development

RAMAKRISHNA HEGDE

Minister for Finance, Mysore

WITH THE revival of the five-year Plan for the period 1969 to 1974, the Mysore government, keeping in view the commitments in regard to various sectors of the economy came to the conclusion that the minimum plan outlay for the fourth plan was to be of the order of Rs 440 crores.

The government arrived at this figure after detailed examination of the reports submitted by several working groups constituted for the various development heads and on the basis of the recommendations of the State Planning Board. This amount was proposed tentatively in the draft plan for the state though the resource mobilisation for a plan of this size was considered beyond the capacity of the state.

The main objectives of the state's fourth plan are:

(1) Achieving a growth rate of five to six per cent in agriculture;

(2) Increasing benefits of all types of irrigation — major, medium and minor;

(3) Speedy and profitable utilisation of power generated in the state for agriculture and industrial purposes;

(4) Integrated development of large, medium and small industries coupled with intensive exploitation of material resources;

(5) Achieving a high standard in quality of social service rendered by the state;

(6) Vigorous implementation of the family planning programme;

(7) Maximising job opportunities; and

(8) An equitable dispersal of benefits of economic development and social improvement.

With these broad objectives, the state's Plan can be termed as an approach to development in the first half of the new decade, acting as a thrust towards the major goals for achievements during the decade, namely: (1) A total investment by the government and the private sector of about Rs 2,000 crores, leading to substantial progress towards doubling the annual rate of growth of per capita income. (2) Eradication of the economic and social handicaps that sustain untouchability. (3) Diversification and widespread growth of industries, and encouragement to the entrepreneur. (4) The completion of the Ghataprabha, Malaprabha, Kabini, Hemavathy and Harangi projects and substantial progress with the major and medium irrigation projects in the Krishna and Cauvery basins. Sinking of an additional two lakh irrigation wells and energising an equal number. Increase in the percentage of irrigation to at least 20 per cent of the total cultivable area. (5) A sizable addition to power generation through the Kalinadi Project. (6) A long-term programme for urban development. (7) Emphasis on the consolidation of gains achieved and a cultural renaissance in the field of Kannada literature, music, dance and art.

The magnitude of the resources that could be mobilised for the implementation of the fourth Plan could not be realistically estimated pending the award of the Fifth Finance Commission. The Planning Commission on the other hand suggested a reduced outlay of Rs 327.1 crores only for the state, fixing the central assistance at Rs 173 crores, thus expecting the state to mobilise its own resources to the tune of Rs 154 crores. As against the assumption of Rs 154 crores of the state resources, the contribution of the state could not be more than Rs 50 crores.

Unfavourable Award

While the state was striving to improve its resources position, relying heavily on the prospect of the Fifth Finance Commission award, the singularly unfavourable award worsened the resources position of the state. The award being less than the previous commission's award by Rs 18 crores amounts to Rs 197.42 crores for the five-year period. In the resultant situation, if no additional assistance is provided, the Plan size would have to be of the order of Rs 225 crores since the central assistance had been placed at Rs 173 crores. This position being unacceptable, the state government took immediate steps to impress upon the Planning Commission and the central government the difficult resources position of the state pleading for an increase in central assistance by Rs 100 crores to cover the gap and in view of the tempo of development attained during the annual plan period, pressed the authorities at the centre to allow an upward revision in the outlay mentioning that a plan of less than Rs 350 crores outlay would not be worthwhile.

The National Development Council finally approved of an outlay of Rs 350 crores for the fourth Plan of the state. The underlying strategy of sectoral disposition of outlays is:

(1) The pattern of investment out of scarce resources should be such that it should enable the state to derive maximum benefits from the institutional financial agencies.

(2) In the field of industries, the expenditure by the government should not be so much in the direction of expanding government industrial concerns as for promotion of new industries and in particular small-scale industries thereby ensuring considerable investment by the private sector in the state.

(3) In the field of major and minor irrigation, project-wise expenditure has to be such as to create maximum potential during the fourth five-year Plan within the given resources.

(4) In respect of power, adequate investment will have to be made on distribution for both agriculture and industrial purposes, so that investment already made on generation brings in speedy and substantial returns. For new hydro-electric projects, only a small provision for preliminary works need be made.

(5) So far as transport and communications and social services are concerned, emphasis should be on qualitative improvement rather than expansion.

(6) In every sector, supporting measures should be taken to ensure that the time-lag between the potential and utilisation is reduced.

Accent on Agriculture

The programmes of agricultural production proposed, aim at taking full advantage of the Agricultural Refinance Corporation schemes. The High-Yielding Variety Programme, the IAAP and IADP which have recorded impressive gains in recent years will be intensified. Emphasis will be laid on plant protection measures. In large tracts of the state where provision of irrigation facilities is not immediately possible, soil conservation programmes will be taken up on a large-scale. Nearly 23 per cent of the plan outay is on agricultural programmes. Of the total cultivable area of 26.2 million acres in the state, the area under irrigation is only 2.6 million acres, working out to a percentage of about 10. Large areas in the state are affected frequently by scarcity. The utilisation of irrigation potential in the Krishna and Cauvery is therefore a matter of great importance requiring immediate attention. Incidentally, it is also necessary to safeguard our rights over these waters by executing the projects in the area on a priority basis.

Irrigation Potential

The state's fourth Plan accounts for Rs 122 crores which nearly works out to 35 per cent of the total plan outlay on irrigation. In raising the fourth Plan outlay from Rs 327 to Rs 350 crores, the major consideration that weighted with the government has been the need to enhance the provision for irrigation. As against the original provision of Rs 70 crores in the plan of Rs 327 crores for major and medium irrigation, the state has now earmarked Rs 90 crores, constituting 26 per cent of the total plan outlay. The power sector in the fourth Plan has an outlay of Rs 87.5 crores which forms 25 per cent of the total outlay and out of this nearly Rs 85 crores will go towards the expenditure on continuing schemes and on the widespread transmission and distribution network of the state. Because of the constraint of resources, the state has been able to earmark two crores of rupees only for the Kalinadi project. Special arrangements will have to be made for financing the project which involves a heavy outlay of Rs 45 crores. According to current estimates the present surplus of power will not last beyond 1973; immediate action is required in the matter.

Rural electrification will not only accentuate agricultural development but will also open up the rural areas. The transmission network is being expanded every day and the energising of pumpsets is being stepped up. The annual target for energising pumpsets has been fixed at 33 to 40 thousand. During the fourth Plan, the state hopes to electrify 2,500 towns and villages. With the heavy capital investment needed with least direct return to the Electricity Board, financing of rural electrification has presented several problems. It is inevitable that in the process of finding money for production purposes, the social service should be called upon to make a sacrifice. Except in the case of welfare of backward classes outlays have been generally reduced and the provision is intended under each head of development, more for qualitative improvement than for expansion. Consistent with the requirement of economic efficiency in implementation of programmes, the need for holding the unemployment line has weighed with the government in the formulation of the fourth Plan. In addition to the state Plan of Rs 350 crores, a number of centrally-sponsored schemes, will also be implemented in the state. The state hopes to take the maximum advantage of these schemes and it is expected that the share of the state would be at least Rs 50 crores during the five-year period.

Autonomous Corporations

In addition, the state proposes to stimulate a number of autonomous Corporations such as the Mysore State Electricity Board, the Housing Corporation, the City Improvement Trust Board, the Bangalore City Corporation, the Mysore State Finance Corporation, the Mysore State Central Co-operative Land Development Bank and other bodies to go in for debentures and to have well-drawn development plans

DISTRIBUTION OF OUTLAY IN FOURTH PLAN

(Rs in crores)

Sector	Outlay	Percentage
Agricultural Programme ..	79.65	22.76
Co-operation & Community Development	11.25	3.21
Irrigation & Flood Control ..	90.00	25.71
Power	87.50	25.00
Industries & Mineral Development ..	18.00	5.14
Transport & Communications ..	12.50	3.57
Social Services	50.00	14.29
Miscellaneous	1.10	0.32
Total:	350.00	100.00

Source: Planning and Social Welfare Department.

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of their own. It is hoped that these bodies will raise resources to the extent of at least Rs 100 crores in the fourth Plan. The total investment in the public sector itself would therefore be of the order of Rs 500 crores during 1969-74. In addition, the state government expects an investment of at least Rs 300 to Rs 500 crores to be made by the private sector. Properly co-ordinated, this substantial investment should lead to economic growth of the state in a number of directions and lay the base for a faster rate of growth in the years to come.

Industrial Mysore—A Survey

G. VARADE GOWDA

THE ENLARGED State of Mysore, which came into being on November 1, 1956, covers an area of 74,210 sq. miles and has become an important maritime state. Nature has endowed it with a number of perennial rivers. such as the Cauvery in the south with its six tributaries, the Tunga and Bhadra rivers which rise in the Western Ghats and flow northwards joining to form the Tungabhadra, Ghataprabha, Malaprabha, Bhima and Krishna. These river systems have facilitated the construction of a number of reservoirs and hydro-electric facilities.

Rich Resources

The state has a wide variety of minerals, both metalliferous and non-metalliferous, gold, iron and manganese are important among the metallic ores, and limestone, clays, magnesite and pyrites among the non-metallic ores. Today, Mysore has the distinction of being the sole gold producing state in India.

Iron ore is one of the major industrial minerals which is extensively found in many regions of the state. The richest hematite deposits are concentrated in the central region comprising the Bellary and Chitradurga districts. Even in this region, the highly concentrated zone is the Sandur-Hospet belt, in the Bellary District, whose reserves are estimated at well over 1,000 million tonnes. The average iron content of these deposits average over 66 per cent and even reach up to 68 per cent extensive magnetite iron ore deposits are found in the coastal districts. One of the important concentrated regions is the Kudremukh in Chickmagalur district. As a result of intensive prospecting by the National Mineral Development Corporation of India, it has been revealed that this region possess over 1,000 million tonnes of magnetite ores, with an iron content ranging from 25-40. A large-sized export-oriented project in collaboration with leading international firms in the field has now been taken up for development.

Lime stone is another important industrial mineral, which is assuming strategic role in the development of many industries is found in many parts of the state. The proved deposits are placed at about 1,500 million and are concentrated in the districts of Bijapur, Gulbarga and Chitradurga.

The estimated reserves of manganese in the state are well over 100 million tons and the major occurrences are in Bellary, North Kanara, Chitradurga, Shimoga and Tumkur districts.

Mysore is one of the few states where chromite deposits are found. These deposits are mostly concentrated in Byrapur area in Hassan district, which are estimated at a little over a million tonnes. Beneficiation of lower grade chromite ores will enable the enlargement of the mines considerably. It is estimated that these deposits should enable the setting up a ferro-chrome plant with an economic capacity to last for 20 to 25 years.

Magnesite, white clay, bauxite, fullers earth are some of the other important minerals occuring in the state.

Forest Wealth

Mysore is also rich in its forest wealth both in terms of extent and variety. Teak, the most valuable of timber species, known for its durability, strength and beauty, which occurs in important forest zones of the state, is utilised as round wood, sawn timber, veneers or processed wood and has been given priority for further development both in terms of acreage and yield per acre. The state has gained world-wide prestige for its sandalwood as a perfumery product and for producing sandalwood oil, bamboo, mostly concentrated in the North-Kanara, Belgaum, Shimoga and Coorg-Mysore-Kollegal regions, is one of the industrial raw materials provided by the forest. With a view to raising returns from the forest and to meet the growing industrial needs, an extensive plantation programme for quick growing pulp-wood species like eucalyptus has been undertaken in all the important forest zones of the state.

The salubrious and almost equitable climate and a variety of rich soils has helped in raising all kinds of crops and vegetation. In fact, the state is known for its variety of cropping pattern. One will find in the state crops of the temperate regions as well as those of tropics and crops of humind regions as well as those of arid regions. Taking advantage of these facilities, steps have been taken to intensify the agricultural development which serves as a sound base for speedy and sustained industrial development.

Dynamic Policy

Over the past nearly half a century, the Government of Mysore has adopted a progressive and dynamic policy of industrialisation. With a view to have balanced industrial development, top most priority has been given to develop the infrastructural facilities, such provision of cheap hydro-electric power, land, water and financial assistance, well-knit communication system, technical education and facilities for craft and in-service training. Since the general entrepreneurial class coming forward to take up industrial ventures and the investible capital were limited, unlike the port regions such as Bombay, Calcutta and Madras, the state government had to make the pioneering efforts to establish industries in the early decades. A number of joint ventures were set up in the private sector with financial and management participation of the government. Wherever it may be necessary, in view of the basic nature of the industry, heavy capital, risk and long gestation periods involved, the state government themselves started and managed industries directly. After independence the state government by providing the necessary facilities have also attracted some of the important central projects such as the Indian Telephone Industries, Hindustan Machine Tools, Bharat Electronics and Bharat Earth Movers.

In pursuance of the declared national policy of developing co-operative ventures in as many fields as possible, the state government has taken active interest to develop many co-operative ventures, particularly the agro-based industries. We thus find today four broad categories of industries in which the state government have direct or indirect financial and management interests, leaving the central undertakings.

1. Wholly managed state projects.
2. Government companies (in which the state government has invested

more than 51 per cent), which may be broadly grouped under the Joint Sector. 3. Cooperative undertakings. 4. State-aided industries (*i.e.*, industrial projects in the private sector in which the state government has minority participation both in the equity shares and management).

Following is a list of important industrial projects coming under the above categories with their salient fea tures:

Review of Development

There has been a five-fold increase in the energy-consumption in the industrial sector over a span of 19 years. From 244, 858,000 units of energy sold to small, medium and high tension industries in 1950-51 it has gone up to 1,392, 1,485, 907 units in 1968-69.

Since the promulgation of the Industries (Development and Regulation) Act 1951, till March 20, 1970, the state has received 459 industrial licences/letters of intent either to start new industries or to expand existing ones or to manufacture new items in the existing industrial units. The broad industry-wise list of licences/letters of intent issued by the Government of India is given below. Of these, over 270 licences have already

List of Industries licensed/letters of Intent issued

1. Metallurgical Industries	33
2. Prime Movers	5
3. Electrical Equipments	54
4. Telecommunications	28
5. Transportation	15
6. Industrial Machinery	21
7. Machine Tools	29
8. Agricultural Machinery	3
9. Earth Moving Equipment	1
10. Miscellaneous Mechanical Engineering Industries	5
11. Industrial Instruments	3
12. Fertilisers	5
13. Chemicals other than fertilisers	29
14. Dye stuffs	1
15. Drugs and Pharmaceuticals	1
16. Textiles	97
17. Paper & Pulp including Rayon Grade Pulp	20
18. Sugar	26
19. Fermentation Industry	9
20. Food Processing	20
21. Vegetable Oils & Vanaspati	17
22. Soaps, Cosmetics etc.	7
23. Rubber Goods	2
24. Glass	4
25. Ceramics	8
26. Cement and Gypsum Products	8
27. Timber Goods	8
TOTAL :	459

IMPORTANT INDUSTRIAL PROJECTS

Sl. No.	Name of the undertaking and location	Yr. of Est.	Line of manufacture	Average No. of workers employed	Total investment	Value of production
1	2	3	4	5	6	7
						(Rs in lakhs—in 1968-69)
	I. CENTRAL UNDERTAKINGS					
1.	Hindustan Aeronautics Ltd., Bangalore	1940	Design & manufacture or aircraft, aero-engines, repairs etc.	22,322	9271.52	1670.46
2.	Indian Telephone Industries Ltd., Bangalore	1948	Telephone, Exchanges, Transmission equipments	12,905	2898.00	2033.23
3.	The Kolar Gold Mining Undertakings, Oorgaum	1880	Gold Mining	13,209	1218.17	199.35
4.	Hindustan Machine Tools Ltd., Bangalore	1953	Machine Tools and Wrist Watches	6,468	2288.3	397.11
5.	Bharat Electronics Ltd., Bangalore	1954	Wireless, Electronic equipments, components etc.	6,009	3191.51	1552.00
6.	Bharat Earth Movers Ltd., Bangalore and K.G.F.	1964	Integral Coaches & heavy earth moving equipments	4,261	2336.01	1416.58
	II. WHOLLY MANAGED STATE PROJECTS					
	A. Private Limited Companies—Fully owned and managed.					
1.	Mysore Iron and Steel Limited, Bhadravati	1923	Pig iron, steel ingots, steel sections, cement ferro-silicon etc.	9,418	5596.15	1029.82
	B. Departmentally Managed					
1.	Central Industrial Workshop, Bangalore	1897	Job works, concrete mixture etc.	316	86.50	35.57
2.	Central Industrial Workshop, Mercara	1952	Job Works	46	7.91	4.06
3.	Government Electric Factory, Bangalore	1933	Transformers, Motors etc.	1,000	285.24	116.91
4.	Mysore Implements Factory, Hassan	1939	Implements	300	82.24	20.39
5.	Government Soap Factory, Bangalore	1918	Soaps	298	120.00	163.27

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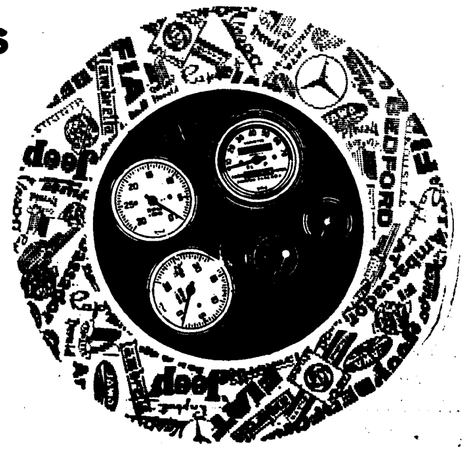

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1969 figures
Rupees in Crores

Capital and Reserves	1.40
Departmental Reserves	1.60
Total Assets	5.36
Net Premium	3.02

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been implemented. In nearly 90 cases, the licences/letters of intent have either been revoked or cancelled as the parties did not take effective steps or the parties themselves dropped their schemes. The remaining cases are in different stages of implementation.

Textiles

Textiles is one of the important industries in the state, both from the point of view of providing employment and income opportunities, besides contributing substantial source of revenue to the state and national exchequer and gross national product. The state is unique in having capacity in all the three sectors. viz. cotton, woollen and silk. Under the Five Year Plans substantial investment, besides extending technical assistance has been made in the unorganised sector.

In the organised sector, there are 27 cotton mills, of which 16 are spinning mills and the remaining 11 are composite mills. The total spindleage of these twenty-seven mills is 6,35,956. There are over 6,000 looms in the composite mills. In respect of the silk industry, the state has already attained an international fame for its pure silk fabrics of exquisite designs.

Sugar

Sugar is the second important agro-based industry in the state. The state has nearly 2.00 lakh acres under sugarcane. Both from the points of view of average yield per acre and sugar recovery, the state has already attained a mark in the country as a whole. The existing 10 factories have a total daily crushing capacity of 15,750 tonnes which, under ideal seasonal and market conditions will be able to produce 2.50 lakh tonnes of sugar per annum. Two more factories—one each near Hiriyur in Chitradurga district and Mugatkhan Hubli in Belgaum district, having a daily crushing capacity of 1,250 tonnes respectively, are under erection. In addition, Government of India has already accorded approval to establish nine more sugar factories which are expected to materialise by the end of the fourth Plan period. With the implementation of these newly approved factories, the state will be in a position to produce nearly 5.00 lakh tonnes of sugar per year.

Cement

Cement is another important industry in the state. A substantial capacity has already been developed in the existing five factories located near Bhadravati, Ammasandra (Tumkur district), Bagalkot (Bijapur district), Wadi and Shahabad (Gulbarga district). These factories

IMPORTANT INDUSTRIAL PROJECTS (*Contd.*)

1	2	3	4	5	6	7
				(Rs in lakhs—in 1968-69)		
6.	Government Sandalwood Oil Factories, Mysore & Shimoga	1916 1944	Sandalwood oil etc.	400	120.00	206.78
7.	Govt. Spun Silk Mills, Channapatna (Taken over by Government in 1961)	1936	Spun silk fabrics yarn etc.	600	98.07	44.28
8.	Govt. Silk Filatures, Mysore	1956	Raw silk yarn	4,450	61.63	79.33
9.	Govt. Silk Filatures, Kanakapura	1943	do.	349	28.10	31.08
10.	Govt. Silk Filatures, Kollegal	1943	do.	5,146	50.00	82.36
11.	Govt. Silk Weaving Factory, Mysore	1932	Silk fabrics	169	50.54	27.73
	C. Inter State Undertaking					
1.	Tungabhadra Steel Products Ltd., Hospet	1960	Penstocks etc.	614	141.08	64.01
	III. JOINT SECTOR					
	(i.e. Government Companies in which the Government has invested more than 51%)					
1.	Mysore Sugar Co. Ltd., Mandya	1934	Sugar, Industrial Alcohol	1,696	401.48	94.44
2.	Radio & Electrical Manufacturing Co. Ltd, Bangalore	1946	Radios & their components, Meters, Band-switches, PVC wires etc.	1,300	416.69	15.00
3.	Mysore Chrome Tanning Co. Ltd., Bangalore	1940	Chrome upper and leather goods	110	12.90	10.72
4.	Mysore Lac & Paint Works Ltd., Mysore	1947	Paints and varnishes	82	24.62	15.53
5.	Hutti Gold Mines, Hutti	1947	Gold Mining	2,415	455.32	156.46
6.	N.G.E.F. Ltd., Bangalore	1960	Transformers, Motors etc.	2,648	1599.39	468.23
	CO-OPERATIVE SUGAR FACTORIES					
1.	Bellary Central Co-operative Stores, Kampli	1954	Sugar	800	320.61	214.81
2.	Hiranyakeshi Sahakari Karkhane, Sankeshwar	1956	do.	500	467.08	195.84

have a licenced capacity of over two million tonnes per annum. Two more factories have been licensed, one in the public and the other in the private sector. The public sector unit near Sedam (in Gulbarga district) with an installed capacity of 4.00 lakh tonnes is under implementation. The licensed unit near Nagargali (in the Belgaum district), in the private sector has, however, not made much headway.

Paper and Pulp

Paper and pulp is another important industry which has made considerable progress in the state. In addition to three large-scale paper mills located near Bhadravathi, Dandeli (in North Kanara district) and Belgula (in Mandya district) respectively, there are two small units, one near Nanjangud and the other near Dharwar. A large-scale rayon grade pulp unit near Harihar is currently under erection. A number of straw and paper board and also hard and chip board manufacturing units in the small and medium scale sectors have been started in different parts of the state. The Pre-Investment Depth Surveys conducted by UN experts, recently, have indicated very bright scope for developing this industry further, since the raw materials for the industry, *viz.* bamboo and eucalyputus etc. could be raised, at an economic cost, if demand warrants.

Iron and Steel

The Mysore Iron Steel Ltd, took up the implementation of the conversion of the mild steel production into alloy and special steel production to manufacture 77,000 tonnes per annum of finished alloy and special steels, involving an investment of over Rs 30 crores. This scheme is in final stages of completion. The works have also undertaken to increase the pig iron production capacity by an addition of 1.20 lakh tonnes per annum by adding new electric pig iron furnaces. Steps are contemplated to step up the production of ferro-silicon for which there is a growing internal and export demand.

Machine Tools

A major portion of grade machine tools manufacturing capacity is located in the state. The leading public sector unit (viz. HMT Ltd) has its first two units in Bangalore and the leader in the private sector (viz. Mysore Kirloskar Ltd) is having its unit at Harihar. Continuous expansion and diversification to cover new ranges and specialised categories are being undertaken in these units to meet the changing pattern of demand.

Electronic Equipment

Under electric and electronic equipments, Government of India have issued

IMPORTANT INDUSTRIAL PROJECTS (*Contd.*)

1	2	3	4	5	6	7
				(Rs. in lakhs — in 1968-69)		
3.	Pandavapura Sahakari Sakkare Karkhane, Pandavapura	1955	do.	600	283.00	90.00
4.	Gauribidanur Sahakara Sakkare Karkhane, Cauribidanur	1961	Sugar	130	183.15	90.75
5.	Bidar Sahakari Sakkare Karkhane, Hallikhed	1968	do.	350	225.00	13.53
	V. GOVERNMENT AIDED COMPANIES					
	(i.e. Pivate Sector industrial establishments in which Government has minority participation)					
1.	Mysore Acetate and Chemical Co. Ltd., Mandya	1968	Cellulose, Triacetate moulding granules	530	800.00	..
2.	Mysore Porcelains Bangalore	1932	Insulator	1,549	400.00	115.35
3.	Mysore Cements Ltd. Ammasandra	1958	Cement	227	671.00	185.36
4.	Mysore Kirloskar Ltd. Harihar	1941	Machine Tools	2,697	572.61	310.02
5.	Mysore Paper Mills Ltd. Bhadravati	1936	Paper	1,565	703.61	322.59
6.	Mysore Lamp Works Ltd. Bangalore	1936	Incandescent electric lamps	264	91.00	51.08
7.	Ugar Sugar Works Ltd. Ugarkhurd	1939	Sugar, Industrial Alcohol	750	522.29	306.85
8.	Mysore Vegetable Oil Products, Bangalore	1939	Vegetable and Refined oil	80	17.34	56.87
9.	Mysore Industrial & Testing Laboratory, Bangalore	1931	Pharmaceuticals	300	40.02	37.91
10.	Mysore Tobacco Co. (in different places)	1937	Curing, Grading & redrying of virginia, Flue cured Tobacco	928	51.75	27.93
11.	Mysore Chemicals & Fertilisers Ltd., Bangalore	1937		239	38.29	91.72
12.	Mysore Coffee Curing Works, Chickmagalur	1938	Coffee processing	2,807	(Processing charges)	
13.	Deepak Insulated Cable Corporation, Bangalore	1963	Enamelled copper and paper covered wires	165	104.96	..

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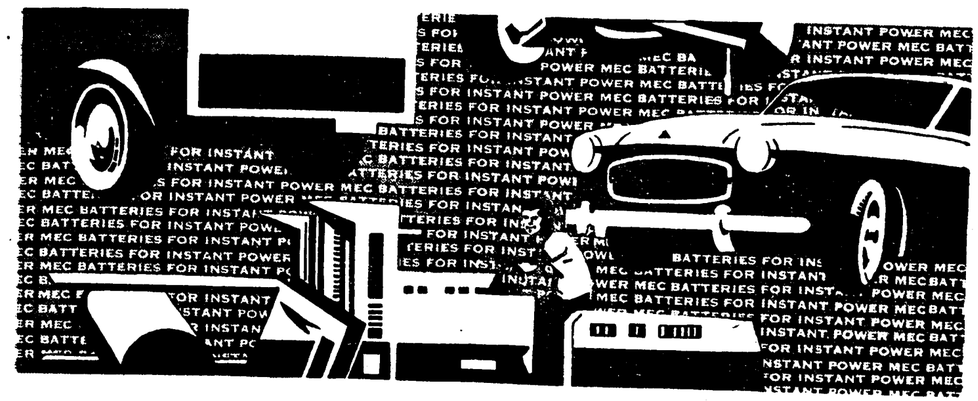

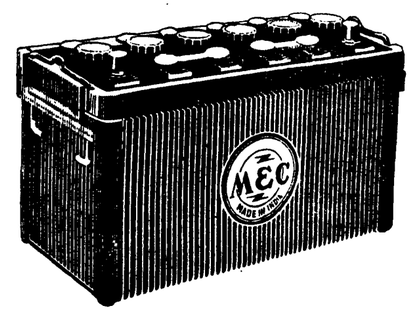

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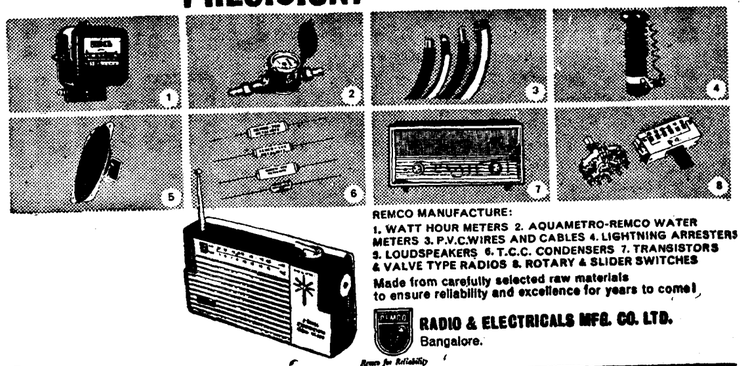

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(An Undertaking of the Government of Mysore.)
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Mysore Minerals Limited, an Undertaking of the Government of Mysore, has embarked on exploration and exploitation of Minerals in the Mysore State. The mining programme covers the following minerals.

1. Iron Ore
2. Manganese
3. Chromite
4. Clay
5. Asbestos
6. Soapstone
7. Limestone

Of the above, Iron Ore and Maganese are export oriented.

80 industrial licences in the state. Substantial progress in implementing the licences granted has been achieved by M/s. Bharat Electronics Ltd, ITI Ltd, REMCO, NGEF Ltd, Mysore Porcelains Ltd, Kirloskar Electric Co. Ltd, Mysore Electrical Industries Limited, AMCO Batteries Limited, Mysore Electro Chemical Works Ltd, Mysore Lamp Works Limited, and Sankey Electrical Stempings Ltd.

Auto Ancillaries

In respect of automobile ancillaries as well, the state has achieved considerable progress. M/s. Motor Industries Co. Ltd, Bangalore, which is one of the outstanding units in the field are continuously expanding and diversifying their range of products to meet the increasing demand.

Export Promotion

The state has great export potentialities. The estimated exports during 1967-68 in the state were about Rs 37.24 crores. During 1968-69, the export performance was of the order of Rs 43.78 crores. The exports are on the increase especially in engineering products, silk fabrics, cashewnuts and iron ore. An Export Promotional Survey of Mysore state was conducted under the auspices of the Indian Institute of Foreign Trade and its report was released during June 1969. Follow up action on several of the recommendations made in the survey report has already been initiated.

Small-Scale and Village Industries

In view of their strategic role in providing greater income and employment opportunities, besides serving as an effective media for the dispersal of industries, government has assigned special importance for the development of village and small industries. A number of steps have been initiated to extend all possible assistance to set up increasing number of these decentralised industries in all parts of the state. One of the major steps undertaken is to set up industrial estates, where constructed worksheds with services like power, water, drainage, and sewerage, roads, common facility centres, godowns, technical library, post offices, banks etc. are made available for small-scale industries on easy rental basis. 21 industrial estates in different parts of the state to meet the demand of small-scale industrialists, with 296 worksheds have already been set up. Government has established the Mysore Small Industries Corporation to assist the small-scale industries in all possible ways. The Corporation has already set up raw material depots in important industrial centres to supply scarce and other raw materials needed by the small-scale industries. The Corporation also has extended hire-purchase facilities to secure machinery, besides providing marketing and other technical servicing facilities.

Handlooms

To assist the handloom industry in an effective manner, government has taken a number of special measures. There are over 1,80,000 handlooms in the State. To extend financial and technical facilities, about 60% of these looms have been brought under the co-operative fold. Three Apex Weavers Societies for cotton, woollen and silk have been organized and about 736 primary handloom weavers co-operative societies are affiliated to these Apex Societies. Besides provision of easy credit facilities, improved appliances and marketing assistance by way of rebates etc., the weavers have been provided with housing colonies, dye-houses, collective weaving centres in many important centres.

A number of craft societies have also been organised to serve the specialised needs of handicrafts, coir and important small-scale industries, through which the needed assistance for their members have been provided on a liberalised basis. To provide craft training, besides model carpentry and smithy centres, Artisan Training Institutes have been established in all the important centres of the state.

Measures to Accelerate Industrialisation

In spite of several natural advantages readily available, developed infrastructural facilities, a progressive industrial policy adopted by the state government and a congenial climate obtaining for a large-scale industrialisation, the state is still lagging behind the other states suchas West Bengal, Maharashtra, Gujarat and Tamil Nadu. Government has, therefore, undertaken certain special measures to give the necessary fillip for a rapid and all-round industrial development of the state.

To provide a specialised agency for extending the required assistance in the matter of rising capital, use of natural resources, securing other facilities like power, water, determining the marketing potentialities of different products that could be manufactured, and the sources of technical assistance and know-how, government has set up the Mysore State Industrial Investment and Development Corporation. This corporation, which came into being on June 15, 1964, has taken over from the Government the main functions relating to promotional activity. Besides offering feasibility studies and project reports, the corporation helps in securing industrial licences and acts as the co-ordinating agent between the entrepreneur and various offices of the government. It is working very closely with the All India financial institutions and development departments both in the state and central levels. The corporation subscribes to the equity and/or preference shares and underwrites new issues of shares and debentures. The funds for the corporation are provided by the government through participation in its share capital. The Government of Mysore has already provided funds to the tune of Rs 3.8 crores to the corporation.

Development Board

Certain legal and procedural formalities were considerably impeding the acquisition of land for industries under the existing Land Acquisition Act. To overcome some of these difficulties, the Mysore State Industrial Areas Development Board has been set up. The Board acquires land at various places, in the state, which have industrial potentialities, develop them and offer suitable areas for establishing industries. Those developed industrial areas are served by roads, drainage, power and water facilities. In this connection, the following eleven growth areas have already been declared in different parts of the state for the exclusive development of industries — large, medium and small scale:

1. Mysore-Nanjangud
2. Harihar-Davanagere
3. Hubli-Dharwar
4. Shimoga-Bhadravati
5. Dandeli
6. Belgaum
7. Gulbarga
8. Bellary-Hospet
9. Mysore-Belagola
10. Around Bangalore
11. Around Mangalore

These growth areas are also proposed to be utilised, as an effective instrument for the dispersal of industries which is the avowed policy of the government.

Concessions, Incentives for Industries

The government has announced a number of incentives and concessions for starting new industries. The concessions/incentives now available for the establishment of new industries are briefly as follows :

1. **Feasibility Studies**

Government will contribute through the Mysore State Industrial Investment

and Development Corporation (MSIIDC) towards the cost of preparing a feasibility study of an industrial project.

2. Price Preference

In order to help new industries in marketing their products in the initial stages, government will consider reserving for such industries 33 per cent of their purchases through the Stores Purchase Department at the lowest price tendered in the open market.

3. Cash Refund of Sales Tax

A cash refund will be allowed on all sales tax paid by a new industry on raw materials purchased by it for the first five years from the date the industry goes into production, eligibility to the concessions being determined on the basis of a certificate to be issued by the Department of Indutries and Commerce.

4. Refund of Octroi

Government will impress on all Municipalities and City Corporations the importance of the rapid industrial development of every region in the state and urge them to exempt raw materials, building materials/capital equipment needed by new industries from payment of Octroi for a period of five years from the date the industry goes into production or in the alternative, to refund Octroi collected for a similar period.

5. Exemption from Electricity Tax

All new industries will be exempted from the payment of electricity tax for a period of five years from the date the industry goes into production.

6. Exemption from conversion fine

Under the existing orders, fine paid for conversion of land for industrial purposes is treated as an interest free loan recoverable in five annual instalments. The recovery of conversion fine is waived altogether for a period of five years from June 30, 1969.

7. Payment of Land Price in instalments

The price of the land offered by the Mysore Industrial Areas Development Board is recovered in instalments.

ITI—New Record in Exports

N. K. ANANTHARAMAN

THE TURNOVER of the state-owned Indian Telephone Industries (ITI) for the year 1969-70 increased to Rs 21.75 crores, exceeding the target for the year. This was achieved in spite of severe shortage of raw materials and components and a substantial reduction in the prices of crossbar exchange equipment. Sales to the Posts and Telegraphs Department constituted 78 per cent of the turnover amounting to Rs 16.94 crores. The target for 1970-71 is Rs 23.75 crores.

The production of long distance electronic transmission equipment was worth Rs 4.14 crores. The division produced a number of multichannel carrier equipment, multiplexing equipment for the main tube, small tube and microwave system, line equipment for main tube and small tube coaxial systems. In main, the emphasis on production has been to provide to the P & T equipment for augmenting the traffic-carrying capacity on the trunk routes. The manufacture of switching equipment for the Indian Earth Station at Arvi for Satellite Communication is in progress. Transmission equipment required for this project have already been supplied.

The value of stroger automatic exchanges and telephones produced reached Rs 12.07 crores as against Rs 11.69 crores during the previous year. The number of telephone instruments of all types produced was 229,000. It produced 101,056 number of exchange lines (strowger). The value of production of Crossbar Division amounted to Rs 4.07 crores. The manufacture of switching equipment for the Indian Earth Station System (ASCOM) is in progress. The Instruments Division designed, developed and produced measuring instruments of various types, power supply units and battery chargers. The value of sales was Rs 69 lakhs as compared to Rs 43 lakhs in the previous year.

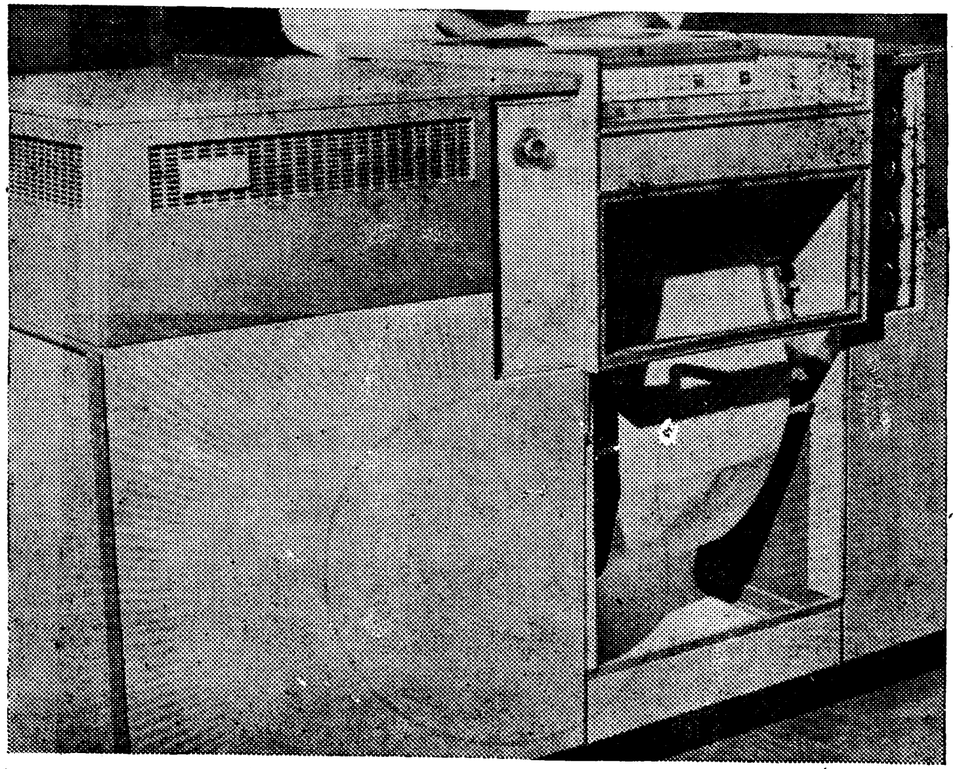
Equipment for Railways and Electricity Boards

Supervisory Remote Control equipment for the Railways to the extent of Rs 36.71 lakhs were supplied and an order for Rs 34.34 lakhs has been received from the Western Railway for the Virar-Sabarmathi Section. Orders for seven Kmc microwave equipment, including multiplexing equipment, from the Posts and Telegraphs Department for the Calcutta-Assam expansion programme worth Rs. 38 lakhs was received. Another order for Rs 25 lakhs for six Kmc equipment for the Poona-Secunderabad section has also been received. Besides, it has secured five major orders worth one crore of rupees for microwave equipment and an order for Power Line Carrier Communication equipment valued at Rs 34 lakhs. The company supplied equipment worth Rs 80 lakhs to the defence during the year while orders for the supply of exchange equipment and special types of telephones are on hand.

The design and development of an electronic exchange, pulse code modulation equipment, computer-controlled trunk exchange and automatic error correcting equipment, and microwave equipment for the Railways are also under design and development. These are modern systems employing the latest techniques. The main effort has been to develop equipment for increasing the traffic-carrying capacity of the main trunk routes which now comprise large tube and small tube coaxial cable systems. Wide band microwave systems have also been designed. The first production of this equipment is expected to be completed this year. Intensive drive in the field of import substitution has resulted in a saving of Rs 82.50 lakhs during the year as compared to Rs 71.25 lakhs during the previous year. The total recurring annual foreign exchange saving since the last five years amounted to Rs 3.10 crores.

Export Performance

During the year, the exports reached an all-time record of Rs 90 lakhs, an increase of 25 per cent over the previous year's figure. The total exports since 1962 reached Rs 3.20 crores. A noteworthy feature was the earning by way of installation contracts in the overseas markets and contracts for long distance transmission equipment from African countries besides a repeat order for exchange installations for Rs 4.90 lakhs. Nigeria has placed an order for transmission equipment valued at Rs 15.30 lakhs for the first time, which constitutes a breakthrough. Exports to the United Kingdom continued to be dominant. The countries to which ITI exported were. Afghanistan, Bhutan, Burma, Canada, Ceylon, Greece, Indonesia, Jordan, Kenya, Kuwait, Lebanon, Nepal, Sikkim, Singapore, South Vietnam, Syria, Tanzania, the United



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MILLING: Knee type mechanically controlled milling machines M2, M2P and M2EP; Knee type electrically controlled milling machines E2 and EM3; Turret ram type milling machines M1TR; Bed type duplex and simplex milling machines.
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GRINDING: Hydraulic cylindrical and universal grinders G131/17/22; Hydraulic surface grinders SFW; Mechanical cylindrical grinder G9; Internal grinder G9I.
GEARING: Gear shaping machine 2A; Gear hobbing machines L.
BORING: Horizontal boring machines FA5, AF7 and AZ9; Fine boring machines FB.
BROACHING: Horizontal broaching machines RW; Vertical broaching machines RISZ.
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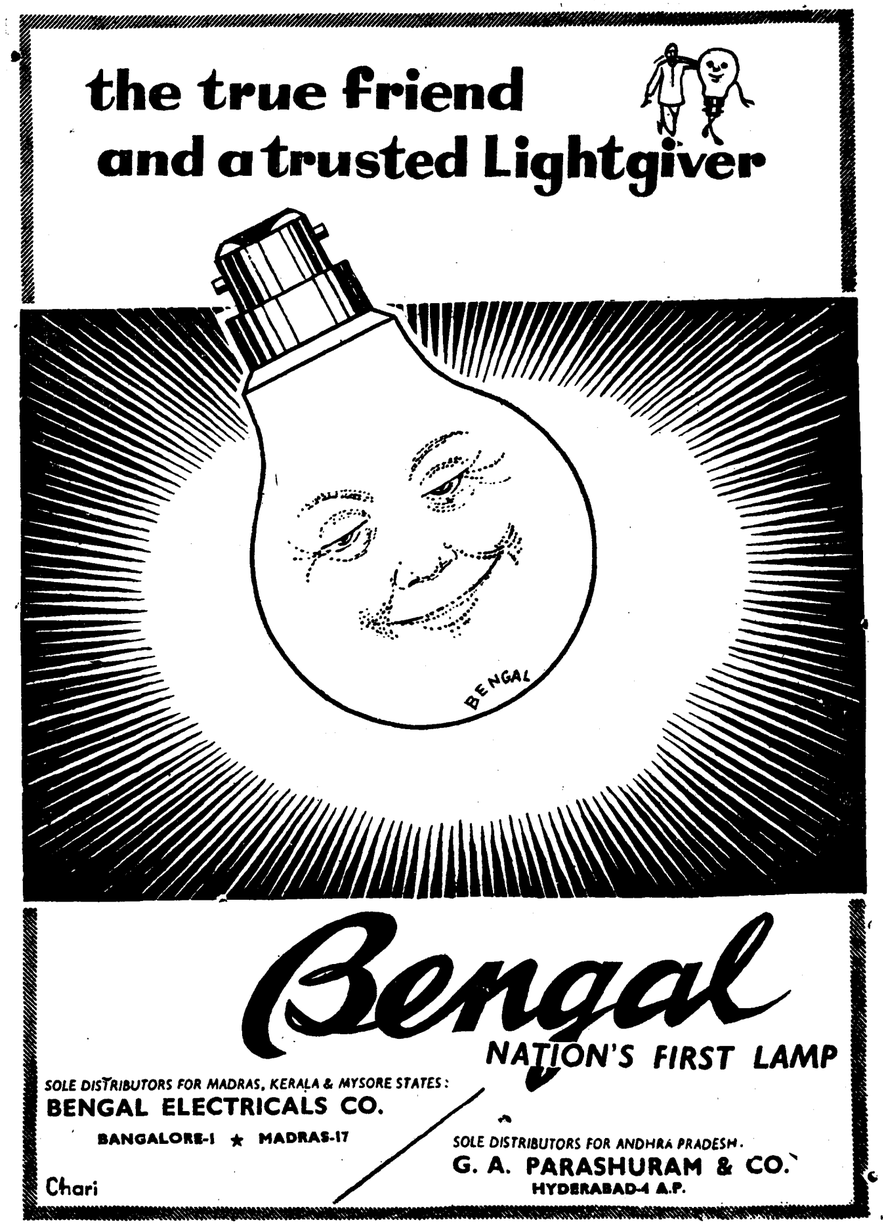

Arab Republic, the United Kingodm and Uganda.

Expansion of the Bangalore factory to reach Rs 34 crores output by 1973-74 has been planned. The investment for this expansion during the fourth five-year Plan is expected to amount to approximately Rs 5.75 crores at Bangalore and Rs 2.60 crores in the second transmission factory at Naini. Production from this factory is expected to reach Rs 5 to 6 crores by 1973-74. The setting up of a second telephone Instruments factory (capital investment: Rs 4.8 crores) has since been approved and work is to be taken up shortly. A project for a second crossbar switch-factory (estimated capital investment Rs 16.36 crores) has been prepared and is under process.

Farm Strategy for Mysore

K. C. NAIK

THE RURAL resources of Mysore comprise mainly of plant and animal wealth. For a population of 23.6 million in 1961 expected to almost double itself to about 47 million at the turn of the century, the state has only about 10.6 million hectares of cropped area, of which the source of food lies in about 7.9 million hectares. The yield per hectare of food being only about 1,382 kgs in rice, 411 kgs in jowar, 270 kgs in bajra, 794 kgs in ragi, 252 kgs in wheat and 6,378 kgs in potato in 1960-61 the state was indeed having in that year a low productivity status. How unfavourable is the productivity in foodgrain production in Mysore will be clear when these figures are compared with those of the National Demonstration trials on an all-India basis. For example, in rice the average yields from the trials in 1965-66 and 1966-67 were 5,017 kgs per hectare in rice, 2,524 kgs in jowar, 3,778 kgs in wheat and 3,120 kgs in bajra.

Rise in Agriculture

By 1965-66, the index numbers of agricultural production rose from 100 in 1956-57 to 135.8 in 1961-62 in this state, but fell to 113.3 in 1965-66 for rice, from 158.2 to 112.4 respectively for pulses, 109.8 to 50.9 in ragi, 113.7 to 87.4 in wheat, 131.3 to 141.4 in jowar, and 88.3 to 75.7 in bajra, disclosing the very fluctuating trends in production. These figures are quite in contrast with the trends of commercialised and advanced plantation industries such as coffee and tea, where the corresponding index numbers were 111.5 and 123.1 in the former and 150.7 and 172.1 in the latter.

Low productivity and fluctuating production trends in foodgrains are disturbing features against the background of continually rising population and the continuing problems of under-nutrition and malnutrition. Added to these is the fact that the percentage of net area irrigated to the net area sown in the state is only 9.74 in 1965-66, one of the lowest in the country comparing most unfavourably with the neighbouring states of Tamil Nadu and Andhra Pradesh. Increasing food production in quantity and quality and stabilising food production at the desired level becomes a gamble when over 90 per cent of the sown area depends on the vagaries of the monsoon.

Livestock production has no less disturbing features. According to 1966 census the state had 371 cattle and 113 buffaloes per 1,000 persons, and the latest milk yield figures available is only 17.9 million mds., of which 59.6 per cent is from buffaloes, 37.6 per cent from cows and 2.8 per cent from goats. This works out roughly to 5.0 oz. of milk per individual per day, which when compared with 24.0 oz. per individual per day in USA, reveals the extent of leeway the state has to make in our livestock and dairy industries.

The potential yield from fisheries (marine and inland resources) is acknowledged by all authorities as appreciable, though yet very inadequately tapped. Mysore's coast line extends to 178 miles, while the resources of inland water area available works out to a total of 2.12 million acres, which is next in size only to Andhra Pradesh in the country. The inland fish landings in 1968 were, however, only 43,200 tonnes, which brings down Mysore to the fifth rank in India, with West Bengal, Andhra Pradesh, Tamil Nadu and Bihar having appreciably higher records.

Low Intake of Marine Foods

The Asian Agricultural Survey conducted by the Asian Development Bank reports that the annual per capita consumption of fish in India was only 2.7 kgs as against 37.0 kgs in Singapore, 34.0 in Malaysia, 33.0 in Korea and 31.0 in China and has inferred that the development of fisheries necessarily requires higher training institutions. By starting the first College of Fisheries in India at Mangalore in 1969, the University of Agricultural Sciences has endeavoured to provide this basic need.

Differing Ecological Regions

Modernization of agriculture, using the word agriculture in its broadest sense, depends on the use of modern science and technology. It is only then most countries of the world could find solutions to the problems of food scarcity and malnutrition. The basic resources for all forms of agricultural production are the people — the practising farmers. Agricultural development has to be evolutionary, starting with the present pattern of cultivation or production and the already existing population, all of which cannot be transformed by a magic wand or by imposition of any set patterns of agriculture from a central or state authority. Any attempt that does not meet the specific needs of different ecological regions within a vast country or a state will only inhibit balanced development and may even put the clock of progress backwards.

To a greater extent in Mysore than in most other states of India there are marked variations within the state in agricultural potential, size of farms, degree of progress achieved such as, by cultivating high yielding varieties, the extent of progress towards modernization in agricultural production and in many other characteristics. An effective "cutting edge" is impossible if these local units are regulated, guided or controlled by a streamlined administration doling out a uniform therapy or the same "package of practices". A service agency rather than a bureaucratic set-up is needed to catalyse agricultural development according to felt needs of each area or region. This is the philosophy which provides the justification for the state-wide jurisdiction enjoyed by agricultural universities, including the University of Agricultural Sciences in Bangalore, which has been assigned the triple responsibilities of resident teaching, research, and extending the knowledge emerging from research to the farmers of the entire State of Mysore.

The recent upsurge in production of

Figures about area and production are taken from "Statistical Abstract of Mysore" of the Bureau of Economics and Statistics, Bangalore, and Livestock and Poultry production by Harban Singh and Moore, E.N., 1968. Printice Hall, India.

wheat in north and north-western India and of rice and maize in a few places in the country, and of jowar and bajra to a lesser extent has lulled many to a feeling of complacency. The upsurge through high-yielding varieties has been possible almost wholly in places where assured irrigation facilities were available. This increase in a few places is not enough to sustain progress or to accelerate the rate of growth in a state such as Mysore. A broader base with bulk of the rural population participating in the use of modern science and technology is necessary. Until this is achieved, drops in food production at unpredicted intervals and fluctuating production trends will continue to be the features of Mysore's agricultural scene. It will be tragic if a few years of fair to good monsoons and the worldwide use of the term green revolution leads us into a trap of closed minds and complacency. To bring rural areas of Mysore state (all of it) into the stream of agricultural modernization is a complex, continuing and gigantic task.

To a predominantly rainfed agricultural state as Mysore, selection of short-season crops and crop varieties that can grow and ripen within the varying rainfall patterns of different areas, timely soil preparation and sowing, adequate and timely application of fertilizers and manures at the optimum depth and in the proper manner, improved soil and water management, including the proper use of underground water resources, provision of adequate drainage, timely and effective preventive and control measures against pests and diseases are some of the large number of essentials for which the modern farmer has to be equipped with knowledge, skill and physical facilities.

Package Practices

Results of research are not available for direct application by the farmer today, even if he is equipped adequately to translate such know-how into his field practice. The pressing need of the State at the moment is to evolve a technology base for developing a profitable and dependable package of practices for each of the numerous agricultural situations in this state with its vast diversity of conditions. Only when such a technology becomes available will the all-pervasive risk factor in rainfed areas be eliminated. The Indian Council of Agricultural Research has very recently sanctioned the establishment of three research centres in the state on rainfed agriculture with those broad aims and the University of Agricultural Sciences is set to launch work in two of these centres very shortly.

Any new technology or practice has to be ultimately adopted by the farmer, who responds to the profit motive and economic incentives, provided the new technology involves no undue risks. So far as risks from the attack of crop pests and diseases are concerned, thanks to two massive grants from Ford Foundation and one grant recently sanctioned by UNDP (Special Fund) the University of Agricultural Sciences is well set to contribute significantly to our know-how on plant protection. But in the techniques for our fight against drought, dry farming or rainfed agriculture, our ability and competence can only grow slowly and it is hoped, steadily. It is in these vital areas of research that there is scope for considerable strengthening of our resources.

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This is HMT today, with five machine tool factories and a watch factory extending over 5000 acres, and organised to give a total plant engineering service to the country's industrialists, organisations and enterpreneurs.

Modern Designs

In fact the exhaustive range of HMT machines is built to over 50 of the most modern machine tool designs developed in the USA, the UK, West Germany, France, Italy, Holland, Denmark and Belgium. HMT has also developed 20 new machine tool designs. These designs are translated into machine tools by HMT's integrated team of 400 engineers, many of whom have been trained at one or other of the factories of HMT's collaborators abroad.

The most advanced designs are translated faultlessly into a variety of simple as well as sophisticated machine tools by HMT's engineers, to offer India's and the world's widest range of machine tools to be produced by a single unit.

Plans for Future

With rapid industrialisation and increasing adoption of sophisticated modern production techniques, India's industries are constantly faced with never before machine tool requirements. The HMT range is ever expanding to meet the new challenges of development.

HMT's programme of import substitution commenced with its inception. The recession acted as a spur, which made HMT embark on a diversification of production lines. Machine tools like gear hobbers and multi-spindly automatics, requiring the highest skills were taken up on HMT's production lines.

HMT's plans for the future include the production in India of BUHLER die casting machines and plastic injection moulding machines. These machines are to be manufactured by HMT in technical collaboration with Messrs Interfonda Ltd, Uzwil, Switzerland. Plans have been finalised for the production of GSP numerically controlled production jig boring machines and drilling and boring machines in collaboration with Messrs Alliance Constructeurs, France.

HMT also plans to enter the world of agricultural machinery with the production of 20 to 50 hp tractors at Pinjore, under licence from Czechoslovakia.

M/s Herman Kolb of West Germany and HMT have entered into an agreement for technical co-operation in the fields of sales engineering, designs and production. Under this agreement manufacture of radial drills to Kolb design with capacities ranging from 35 mm. to 120 mm. will be taken up at HMT progressively.

As a further step of diversification of production, HMT has plans to manufacture different types of printing machines.

Five Modern Factories

HMT's five factories—two of them at Bangalore, one at Pinjore (Haryana), one at Kalamassery (Kerala) and one

NORTHERN RAILWAY
Changes in the Time Table

The following important changes in the winter Time Table will take effect from October 1, 1970:

I. NEW TRAINS INTRODUCED :

Between Lucknow and Balamau:

A passenger train between Lucknow and Balamau is being introduced. The train will leave from Lucknow at 17.20 hrs. reaching Balamau at 19.20 hrs. The return service will leave Balamau at 7.10 hrs. arriving Lucknow at 9.10 hrs.

Between Kurukshetra and Jind:

From Kurukshetra the train will leave at 18.20 hrs. reaching Jind at 23.40 hrs. The return service will leave Jind at 9.40 hrs. reaching Kurukshetra at 13.20 hrs.

Between Sadulpur and Hanumangarh :

From Hanumangarh the service will leave at 5.15 hrs. arriving Sadulpur at 11.25 hrs. The return service will leave Sadulpur at 17.15 hrs. reaching Hanumangarh at 22.25 hrs.

II. TRAINS CANCELLED :

1. No. 1 AP/2 AP between Amritsar and Patti.
2. No. 1 BQ/2 BQ between Batala and Qadian.
3. 1 JA/2 JA between Jullundur City and Amritsar.
4. 1 JN between Jullundur City and Nakodar.

These services are run to cater for the seasonal traffic.

III. TRAIN DIVERTED :

7 DG Ghaziabad-Delhi Shuttle service will run via the new Jamuna Bridge.

IV. NEW STOPPAGES :

Additional stoppages have been provided to certain services. No. 33 Up at Chakki Bank, No. 62 Dn/66 Dn. Doon Expresses at Doiwala, No. 41 Up/42 Dn. Mussoorie Expresses at Raisi, No. 351 Passenger at Aigawan., 5 LF/6 LF Passengers at Dhat Halt, 40 Dn. Janta Express at Dadri and Bheerpur, 10 Dn. Doon Express at Raiwala and 99 Up/100 Dn. Expresses at Kosli.

V. TRAINS ACCELERATED :

Some of the Mail and Express trains have been speeded up, notable among them being 59/60 Dn. Srinagar Express, 33/34 Dn. Kashmir Mail, 41 Up Mussoorie Express, 69 Up Triveni Express, 207 Up Agra Express and 96 Dn. Marwar Mail.

VI. CHANGES IN TRAIN TIMINGS :

No. 21 Dn. Dakshin Express will arrive New Delhi at 5.00 hrs. against 7.40 hrs.
No. 22 Up Dakshin Express will leave New Delhi at 19.15 hrs. against 20.50 hrs.
No. 62/66 will arrive Varanasi at 18.00 hrs. against 17.10 hrs.
No. 30 Dn. Lucknow Mail will leave New Delhi at 21.40 hrs. against 21.20 hrs. and arrive Lucknow 7.20 hrs. against 7.00 hrs.

VII. WITHDRAWAL OF AIRCONDITIONED ACCOMMODATION :

The air-conditioned accommodation will be withdrawn from Mussoorie Express from 16-10-70 ex Delhi and on 17-10-70 ex. Dehra Dun. Similarly air-conditioned accommodation provided bi-weekly on 9 Up/10 Dn. Doon Expresses (Varanasi-Dehra Dun) will be withdrawn from 1-10-1970. The air-conditioned accommodation on 93 Up/94 Dn. Jodhpur Mails (Delhi-Jodhpur) will be provided bi-weekly instead of 4 days a week. It will run ex Delhi on Mondays and Fridays and ex Jodhpur on Sundays and Thursdays.

VIII. DISTANCE RESTRICTION RELAXED :

The distance restriction of 160 Kms. in third class by 3 Up/4 Dn. Mail will be relaxed between Mirzapur and Allahabad only. The existing restriction will, however, apply on Mughalsarai Mirzapur section on this Railway.

IX. For detailed information reference should be made to the Northern Railway Time Table, available for sale at Railway Booking Reservation/Enquiry Offices and Bookstalls at important stations.

Chief Operating Superintendent

at Hyderabad (Andhra Pradesh)—have been planned to meet the present-day need for machine tools and face the challenge of future accelerating demand in India and abroad.

The two factories at Bangalore manufacture centre lathes, heavy duty lathes, pre-selector production lathes, chuckers, hexagonal turret lathe, single spindle automatics, multi-spindle automatics, radial drilling machines, grinding machines, gear shapers and hobbers, tool grinding and lapping machines and a series of milling machines.

The Pinjore factory manufactures milling machines and broaching machines.

At the Kalamassery factory the range of manufactures includes centre lathes, copying lathes and drum turret lathes.

Special purpose machine tools, boring machines, multi-tool automatic lathes, presses and press brakes are some of the machine tools manufactured at the Hyderabad factory.

The HMT factories have been designed and built using the modern production engineering techniques. A feature of the factories is the flow production techniques employed at all stages to ensure high quality at low cost. The plant is equipped with special purpose production lines, test equipment and mass production machinery.

Better Working Conditions

The layout of the factory has been carefully designed to enable smooth movement of work and quick progress from one operation to the next.

At every stage of production and assembly, special test operations ensure that the quality built into the design of every component on a machine tool is accurately maintained until the finished equipment is ready for delivery.

One of the latest computers in the market today, the ICL 1903 with a cycle time of two micro seconds has been installed for the mechanisation of all the systems in the factory, in particular for production and inventory control systems.

HMT's slogan is 'stricit quality control'. Quality is controlled right from the raw material stage to the moment the final product is ready for delivery.

The raw materials which form the substance of machine tools are subject to rigorous tests. Ultrasonic tests for flaw detection, tests to determine tensile strength and various other standard tests ensure that all raw materials used in the manufacture of HMT machines are of required specification.

Gauges and statistical quality control techniques govern the manufacture of components. All measuring instruments and gauges used in production, therefore, are checked at regular intervals, HMT's quality control department approves the accuracy of new tooling, gauges and samples of sub-contractors.

The design specifications are accurately adhered to with the help of electrical and mechanical tests operations at various stages of manufacture.

With its numerous modern factories, extensive production potential, wide range of machine tools and the collective expertise of intensively trained and

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A majority of the entrepreneurs have the product, the initiative and basic resources to venture forth, but what they lack is mostly the know-how to set up an efficient, streamlined production line suited to manufacture their product accurately, quickly and economically.

HMT is organised to help the entrepreneur or even the established manufacturer design and install his production line, comprising an integrated machine tool system....suggest the most suitable machine tools for the optimum efficiency, even if a non-HMT machine tool has to be recommended, in the process.

Sales, Service and Spares

As any manufacturer would agree, buying machine tools, large though the investment may be, is really only half the long-term investment. The other half is in the capacity of the supplier to ensure their efficiency in the decades to come with expert after-sales service and easy availability of spares. HMT assures both.

With its main sales offices at Bangalore, Bombay, Madras, Delhi and Calcutta and a network of after-sales service centres spread all over the country and abroad, HMT maintains adequate stocks to meet normal wear and tear spares at 24 hours' notice. HMT has a wide net-work of selling agents abroad.

Credit Facilities

To establish a new production plant or expand the existing plant, lack of ready funds to purchase the plant equipment called for, is a problem faced by entrepreneurs and well-established industrialists. As part of its total plant engineering service, HMT is able to assist in several ways in arranging appropriate credit facilities as well.

HMT Quality

There cannot be a more firm and positive answer to the question "Is HMT quality right?" than the fact that the world's most advanced countries buy HMT machine tools. Canada, the USA, the USSR, W. Germany, the UK, France, Australia, Switzerland, New Zealand, Holland, Sweden, Denmark, Ireland, Poland, E. Germany, Hungary, Bulgaria and Czechoslovakia—these are some of the countries that have found HMT machine tools compare favourable in reliability and performance with the best the world can offer.

HMT is exporting technical know-how to developing countries. M/s Ceylon Steel Corporation of Ceylon have entered into a collaboration agreement with HMT, under which HMT assists the Ceylon Steel Corporation to manufacture machine tools.

India's First Watch Factory

HMT's versatility in precision-manufacturing is exemplified by its watch factory in Bangalore, the first of its kind in India. The factory, set up in collaboration with the Citizen Watch Company of Tokyo, Japan, has an installed capacity of 360,000 watches a year; 84 per cent of their components are indigeneous. The excellent quality, amazing economy and precision of the HMT watches have generated a tremendous demand for their range of men's and ladies' models, reflected in the long waiting lists and a continuous flood of enquiries.

A second watch factory is being set up at Kashmir near Srinagar, with an installed capacity of 300,000 watches a year, in order to meet the increasing demand for HMT watches.

Problems of Growth

A CORRESPONDENT

MYSORE HAS made impressive progress in the 14 years since it came into being. Food production has increased by 43 per cent and agricultural production has recorded an annual increase of 3.3 per cent, a record unequalled by many states in the Indian Union. Industrial production has made substantial headway largely aided by agricultural growth. There has been spectacular increase in power development and the record of growth in many fields is a promising augury for the future. But growth has brought in its train a large number of problems which have to be tackled with energy and imagination if the tempo of progress is to be sustained and accelerated. This article discusses these problems of development and the goals for the current decade so eloquently expounded by the state's Finance Minister.

The agricultural sector of Mysore state abounds in a rich variety of soils and crops. Out of the total area of 18.92 million hectares, the net area sown was 53 per cent in 1966-67. About 65 per cent of the total area of the state is classed as fit for cultivation and therefore there is some scope for extension of area under cultivation. But our fundamental problem is low agricultural productivity.

The techno-economic survery of the state conducted by the National Council of Applied Economic Research has pointed out that, although structurally the cropping pattern in Mysore is superior to that in India, the components of the major category of foodgrains are inferior in that, the bulk of the area is devoted to the less value yielding grains. Among food crops, rice, sugarcane and pulses which are the high-valued ones occupy proportionately a smaller area than that in the country and these crops account for about 22.0 per cent of crop area in the state as compared to 39.6 per cent in India. Cropping pattern is one of the factors which determine the value of farm output. The survey also pointed out that over a major part of the cultivated area, yields are poor on account of lack of the required inputs. Some other studies carried out in respect of agricultural productivity in the country have brought out the fact that the gross value per hectare in Mysore is lower than in Kerala, Tamil Nadu, Punjab, Uttar Pradesh and Andhra Pradesh and that productivity per agricultural worker is higher in some other states like Punjab, than in Mysore.

The net income per cultivating household is also higher in Punjab, Assam, Gujarat, Kerala, Tamil Nadu and Maharashtra than in Mysore. Considerable gains can be achieved in the agricultural sector by the increased use of major inputs like water, fertiliser, organic manures and improved seeds. The total irrigation potential in the state is of the order of 3.34 million hectares, that is, about one-third of the net sown area of the state, but the actual area under irrigation is just one million hectares. Thus, there is tremendous scope for the fuller utilisation of the irrigation potential in the state. It is said that the potential for minor irrigation is much larger than what is realised at present. The regional survey of Mysore made by Dr A. T. A. Learmonth has drawn attention to the considerable possibility of increasing irrigation through wells (both surface

and substrata), tanks and lift by extensive use of pumpsets. No detailed hydrological survey of the state has been made and such a survey will reveal much greater potential for minor irrigation than is assumed at present. As a result of application of major inputs and changes in organisation and techniques of production, it will not be difficult to achieve an annual rate of growth of five per cent in agricultural production. One of the most important inputs is agriculture is water, and the need for irrigation in the state is vital.

In 1966-67 only about 10 per cent of the cropped area of the state was benefited by irrigation while the proportion in the country was 20 per cent. Limited irrigation facilities have also hampered multiple cropping in the state. Thus, while in the country more than 15 per cent of the net cultivated area is cropped more than once, in Mysore the corresponding proportion is less than four per cent. The use of fertilisers and manures also depends upon the availability of water and if irrigation facilities are not developed, use of fertilisers does not become very profitable. From the data available, it is found that though Mysore's consumption of fertilisers on an average per hectare is higher than that of the country as a whole, it is less than in Kerala, Tamil Nadu, Punjab and Uttar Pradesh. Mysore has done well in respect of introduction of improved strains of seeds. Therefore, in planning for agricultural development in the state, extension of area under irrigation and increase in other inputs for intensive cultivation are the twin approaches to maximise agricultural productivity.

Animal Husbandry

As regards animal husbandry the general condition of the cattle in the state is poor and that the milk yield is very low. The reasons for the low yield rates may be attributed to the non-availability of fodder in sufficient quantities as a result of which the great majority of the animals are underfed and suffer from malnutrition. The pasture lands in the villages are overgrazed, exhausted, eroded and weed-infested. By proper attention to feeding, the performance of most animals can be doubled. It is necessary to increase the production of fodder in the state both in the direction of quantity as well as quality. In Mysore, the area under fodder crops is only about 2.6 per cent of the total area sown; in Punjab it is about 15 per cent and in the country as a whole it is about four per cent.

Occupying only 18 per cent against a desirable 33 per cent of the total land area of the state, the extent of forests is inadequate to meet the needs of the state. Even this area is distributed in different parts of the state is an erratic manner. While in a Malnad district like North Kanara, forests occupy 81 per cent of the total land area of the district, the extent of forests dwindles to a mere two per cent in Mandya district. Thus, there is a genuine need for increasing the area under forests, tree plantations and also to rectify the uneven distribution of forests in different districts. The techno-economic survey of the state has revealed that the utiliseable production of even this limited forest area is extremely low and that Mysore forests produce less than a tenth of the forests in advanced countries which have developed progressive silvicultural and utilisation techniques.

Fisheries

Problems relating to development of fisheries are peculiar to Mysore. The main catch on the coast consists of shoaling fishes like mackerel and sardines but the catch is subject to high fluctuations. It is therefore necessary to conduct research into the causes of these high fluctuations. Increased facilities for preservation of fish such as icing,

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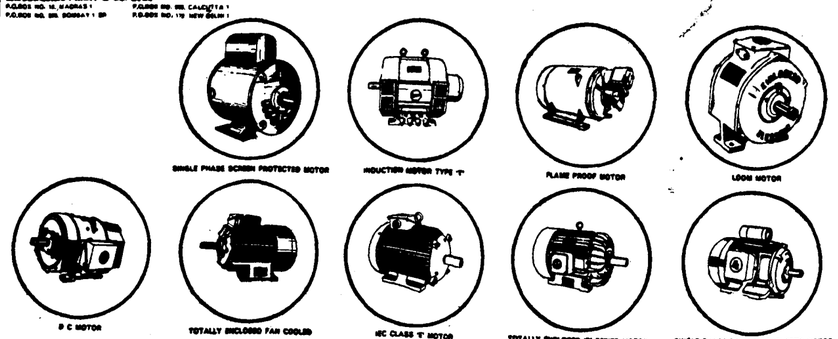

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freezing, canning, etc., and improvement of the methods of preservation are some of the other needs of this industry. Communication and transport facilities between the coastal landing centres and the interior are not adequate and similarly existing facilities at fishing harbours are inadequate. In regard to inland fisheries there is need for a substantial increase of nursery facilities.

Industry

Adequate supplies of minerals for diversification of the industries are necessary and have to be met by new discoveries by conserving the known reserves and by improving the techniques. The main bottleneck in the development of mineral industries is the inadequate railway system which has not touched large areas of mining. The existing railway system too has not developed in a co-ordinated manner and there are too many differences in gauge thereby requiring transhipment of ores at several points. Moreover, the railways end abruptly and are not connected to any ports. It is essential that a port-oriented economy should be built in order to increase the tempo of mineral development and exploitation.

The other serious deficiency from which Mysore suffers is the lack of fuel resources. The state has no deposits of coal or oil and with the development of major ports on the west coast, it may be possible to import coal and oil. The progress of mineral-based industries in the state is slow and lack of capital is responsible for this state of affairs. The direct income from production of raw materials is small and mere export of minerals in their raw state does not improve the economy. The industries in Mysore state are working under several handicaps. They are located at places far from the sources of coal and coke and therefore the vagaries in supply and transportation have led to prolonged shutdowns. Shortage of commodities and difficulties in the procurement of imported raw materials, spares and replacements are the other problems facing the industries. The question of finance is one of the foremost problems that confront the industries, especially the big industries of the state. It is often complained that most of the assistance from financial institutions and even from the centre has gone to advanced states such as Maharashtra, Gujarat, Tamil Nadu and West Bengal, while Mysore and some other states have been starved despite large scope for development of small-scale and cottage industries.

The developments in agriculture, industry, mining, trade and commerce will impose considerable burdens on the transport system in the state. The main handicap and problem of the state in the field of transport is that the ports are not connected by rail with the chief mining areas. The development of the state's external trade depends on rail connection with the west coast. The roadways from the ports into the interior are not yet satisfactory and they need to be aligned so as to sustain port developments on the coast. The regional variations in road development should receive attention and the rural-urban road links are also unsatisfactory.

Prospects of Future Development

Whatever might have been the reasons for the slow performance in the past, the future has to be different. No explanation or justification of the gap between the plan and achievement will serve for the future and the realities of the situation demand higher and more rapid progress in the years to come. In this context it is necessary to realise that Mysore has all the economic potentialities for more rapid development and growing prosperity. Mysore's economic status is high because of its resource endowment; it is abundant in its variety of resources—land, water, forest, sericulture, animal husbandry, fisheries, and power.

Mysore's problem is not one of scarcity of physical or natural resources. The resources have to be effectively tapped and utilised for the benefit of the state and its people. The resources of agriculture, forests, marine livestock and mineral wealth promise vast potentialities for development of industry and trade. The state has extensive deposits of high grade iron ore estimated at 2,000 to 2,500 million tonnes and manganese ore in the range of 10 to 12 million tonnes, besides deposits of other minerals. A proper and fuller utilisation of all these resources will expand industrialisation and augment the exports. The assessment of mineral resources of the state has indicated that the state has potential for the development of iron and steel, ferro-alloys, aluminium and cement industry. Among others, cotton textiles, sugar, paper and paper board, nitrogenous fertilisers, caustic soda and a variety of engineering products have vast scope for development. The export potential survey conducted by the Indian Institute of Foreign Trade estimates that the value of exports from Mysore state which amounted to Rs 53.3 crores in 1967-68 would reach Rs 122.1 crores by 1973-74. Mysore's undoubted economic potentialities can be tapped by a proper strategy of development. In his last budget speech the state's Finance Minister set ten major goals for the decade 1970-80. These goals go beyond the fourth five-year Plan. They require not merely the allocation of financial resources but programmes planned in depth with skill and foresight.

Poised for Big Exports

A CORRESPONDENT

MYSORE STATE, with its natural resources as well as industrial and commercial background, is not altogether new to the export field, though it depended in the pre-independence years, on its monopolistic and semi-monopolistic traditional items like sandalwood and coffee, which were mainly exported to the United Kingdom. With the radical changes that followed independence, the state had to diversify items in the context of enlarged scope, especially after the state's reorganisation. In fact, the government established a Trade Commissioner's post in London as far back as 1934 which continues to function even now. And the state is striving to enlarge its endeavour as the scope for manufactured and agro-based products have been looking up promisingly since the reorganisation. Export potential, however has to operate within certain limitations. For a successful export economy, raw material resources should be available locally or at a comparatively cheaper cost for the manufacture of semi-processed and finished products. They include surplus produce of agriculture, forests, engineering mineral and livestock. It also requires the development of infrastructure like roads, communication, transport, irrigation and power. The administrative wing should adopt a policy leading to the provision of incentives, quality control, evolve an organisational set up in the form of advisory boards and other agencies and take follow-up action.

Fortunately, Mysore state fulfils these pre-requisites fairly well. Two new factors have been added in favour of Mysore's exports. First, after the reorganisation, Mysore got 200 miles of coastline studded with harbours. The west coast highways will create a rich hinterland to the Mangalore port, stretching up to Bellary district, covering

the plains and Malnad parts of the state. The finding of superior quality iron ore at Kudremukh and the proposed industrial complex in South Kanara, North Kanara and Belgaum districts have enanced the export potential of the state. Second, the inclusion under reorganisation of comparatively industrially and economically backward but resource-rich areas in the state is likely to add new proportions to the industrial and export capacity of the state by diversifying the commodities for export.

Upward Trend

The export performance in the past three years shows an upward trend. The total export figure for 1966-67 stood as Rs 3,650.97 lakhs, for 1967-68, Rs 3,724.67 lakhs and for 1968-69, Rs 4,377.67 lakhs. Among the components of export trade a dominant position is occupied by mineral ores, coffee, cashew kernel, sandalwood oil, engineering goods, textiles, seafood products, silk fabrics, plastics and linoleums and sandal soap, in the serial order of rankings, but are substantially changing from year to year. Items such as cashew kernel, textiles, agarbathies and art silk fabrics show a definite decline in export performance. These changes were more pronounced in 1966—the rupee devaluation year. In 1969, the export of mineral ores, coffee, engineering goods, sandalwood oil, cashew kernel, iron and steel, cardamom, textiles, seafood products, silk fabrics and waste, fruit products, agarbathies, handicrafts, crushed bones, tobacco, cashew shell oil, granites, soaps, cosmetics, chemicals, timber, coir products, plastics and linoleums reached record figures. The year also saw the entry of iron and steel, tobacco, granites, silk waste, crushed bones, and engineering goods into the export field. Fruit products and marine products have recorded a notable rise and the possibilities of cardamom exports have opened up new possibilities.

Inward Approach

Thus, it is apparent that the state has got good prospects of improving its export capacity in composition, quality and direction of grade. But the productive capacity appears to be inhibited by two factors. Entrepreneurship in the state has not adjusted itself to the modern techniques of management and as such the level of industrialisation is low as compared to the neighbouring state of Tamil Nadu and Maharashtra. Also there is no awareness of immediate local or state market, though they have the capacity. The installed capacity of the existing units is not exploited in full and new units are springing up which impart instability to the market, as revealed by the recent recession, which hit the small-scale and ancillary industries in the state. This requires serious consideration both from the government and private entrepreneurs and calls for a national policy on the matter. But primarily, export prospects have not yet caught the attention of manufacturers and businessmen. A proper climate for export efforts is also absent for a majority of agricultural products, as the trading interests are located in the adjoining states of Maharashtra and Tamil Nadu. And for a majority of commodities, the approach to commerce is inward looking. The key factor, however, is to find export surpluses. This aspect involves cost, price structure, consumption rate at the domestic level, the demand pattern of foreign countries, continuity in supply, the right quality, diversified production, packaging transportation, finance and co-

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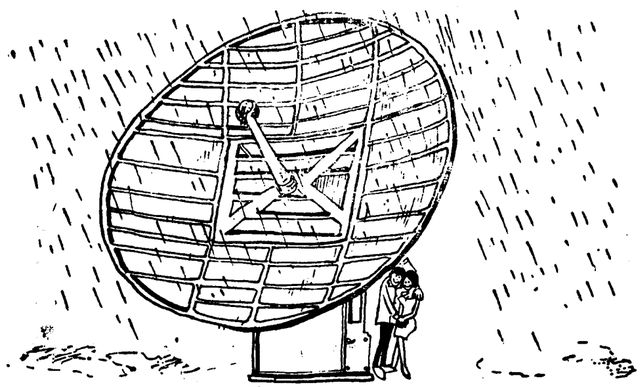

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ordinated policies. As such, a comprehensive and long-term programme is necessary rather than short-term palliatives.

Need for an Export Corporation

Much of the responsibility of organising an efficient export drive devolves upon the government, perhaps requiring direct interest in organising, initiating and encouraging the public sector as a guide and complementary to private enterprise. Therefore, the state will have to propose measures to strengthen the policy formulation and advisory functioning of the State Export Promotion Advisory Board and establish an export corporation at the state level. The state Directorate of Industries and Commerce will have to be strengthened to stimulate export consciousness; identify items of export and analyse the scope and targets; review the progress periodically; organise collection and dissemination of information regarding export market opportunities; provide consultancy service and assistance to agencies dealing with the respective commodities; examine specific concessions and assistance; maintain contact with the respective export promotion councils, commodity boards and others; notify all leading Indian exporters to open their branches in important centres of the state; establish greater liaision with the STC and MMTC; and supply material at concession rates. The export potentials survey conducted recently by the Indian Institute of Foreign Trade is sure to provide wider scope for exports from Mysore. In fact, the manufacturing units and traders in the field of light engineering industries, pure silk and art silk fabrics, handlooms and handicrafts, perfumeries cotton textiles, plastic and processed foods, leather goods, marine products, spices, coir products and coffee have already registered as exporters. As such, Mysore is well poised for a new and profitable venture. Mysore's exports march ahead. The state stepped up its sales abroad by Rs 6.54 crores in 1968-69 over the figures of Rs 37.24 crores in the preceding year. Among the 35 commodities exported, engineering goods, textiles, sandal wood oil, coffee and agarbathis stole the show. They include:

	Rs lakhs
Agarbathis	25.00
Cashew kernel	139.38
Engineering goods	186.19
Iron ore	1,739.69
Manganese ore	243.47
Tanned hides	30.63
Textiles	223.09
Silk waste	43.37
Tobacco	24.64
Ferro-silicon	57.58
Precious & semi-precious stones	2.30
Sandalwood oil	172.45
Art silk fabrics	0.16
Coffee	1,200.85
Crushed bones	6.75
Cashew shell oil	19.94
Cardamom	11.61
Coir & coir products	2.70
Chemicals, soaps & allied products	6.46
Fruit products	13.04
Granites	8.03
Iron & steel	47.61
Pure silk fabrics	59.91
Sea food products	60.26
Plastics and linoleums	3.14
Oil Seeds and oilcakes	28.99
Chromite	3.02

MANGALORE PORT

K.S. RAMANUJAM

Mangalore port which is fast coming into shape, opens a new vista of industrial and export possibilities for the State of Mysore. The location of the port is such as to facilitate sustained growth in the movement of goods from the state. A total of 2,131 acres of land has been acquired at a cost of Rs 2.04 crores; what is more, a massive administrative building has come up providing a beautiful township. The all-weather 30 feet deep-sea port would have during the first phase, one berth for iron ore, manganese ore and coal, another for general cargo and a third for raw material imports for the proposed fertiliser factory. In addition to this, the port would have two mooring berths, one for general cargo and the other for naphtha and petroleum products. It is encouraging to note that the new port will be able to handle a cargo of 2.71 million tonnes comprising the forest produce, coffee, fisheries, petroleum products, minerals etc. That the volume of work is considerable is evident from the fact that the quantity of materials to be drudged is of the order of 11.60 million cubic metres at an estimated cost of Rs 5 crores. All arrangements have been made for putting up the railway marshalling yard for which an estimated provision of Rs 35 lakhs has been made. It may be mentioned that the future of the harbour would depend on the large-scale export of iron ore from Kudremukh, Hospet Bellary and southern Mysore regions for which purpose, the harbour will have to be expanded to cater for 60,000 tonnes bulk ore, loading 4,000 tonnes per hour. A new railway is fast under construction connecting Hassan and Mangalore.

Abundant Mineral Wealth

A CORRESPONDENT

MYSORE IS well known for the wide variety of its mineral resources. With the annual value of mineral production at about Rs 8 crores, the state ranks fifth among the mineral producing states in the country. In a developing economy with accent on industrial expansion, the need for minerals assumes prime importance. Mysore has been one of the pioneer states in India in the investigation and exploitation of mineral deposits and in the starting of mineral-based industries. The state is endowed with a large number of minerals of economic importance. It contributes all the gold and silver that is produced in the country and thus has the unique distinction of being the only gold-producting state in India.

The state is also known for its large reserves of high grade iron ore of exportable quality. Reserves of other ferrous minerals like manganese and chromite take their place at the top. In fact, Mysore is the only other state in the country except Orissa which has sizable resources of chromite, so essential to the production of alloy and tool steel. Considerable amount of manganese ore is being utilised in the steel industry and the production is dependent on export demand. Of the non-metallic minerals, the state has large resources of clay, limestone and dolomite. The other minerals of industrial importance are corundum, gamet, emery, asbestos, bauxite, kaolin, fuller's earth, ochre, quartz, feldspar, silica and verticulite. Resources of non-ferrous metals like copper, lead and zinc are limited. The state is unrivalled in its wealth of building and ornamental stones.

Programme of Development

Mysore was one of the earliest states in India to establish, as far back as 1894, a department for the exploration and exploitation of ores and minerals.

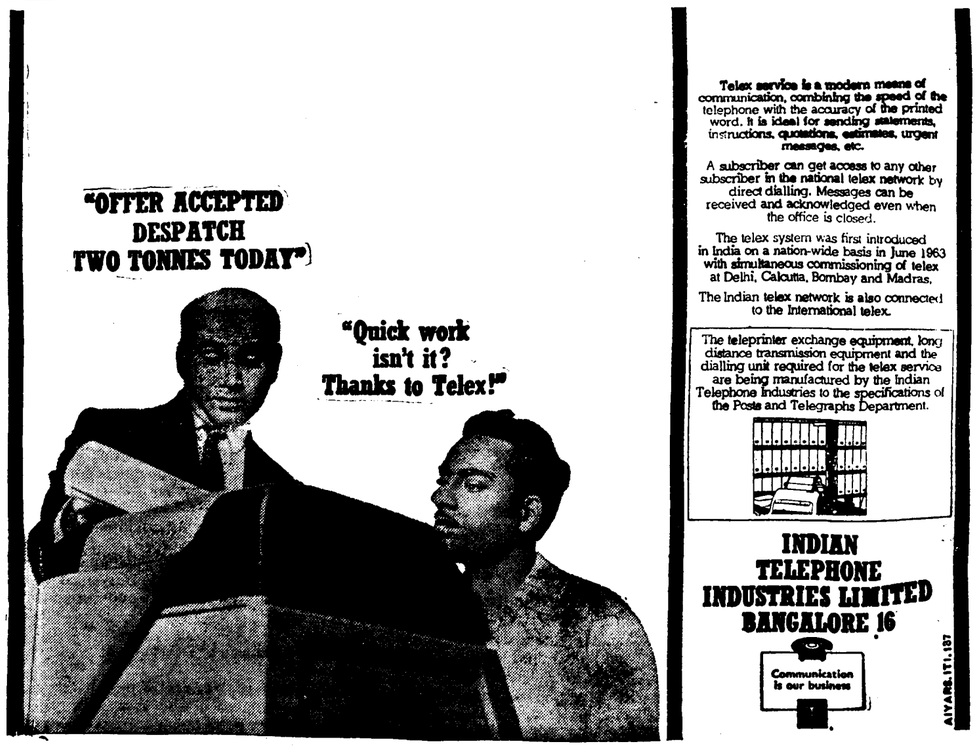
The minerals of the state are useful not only for the consumption of various industries of the state, but are also valuable as commodities earning foreign exchange. Realising this, the state government has been bestowing special attention on the investigation and exploitation of mineral deposits. During the plan period, special attention has been given to the investigation of such minerals that have a direct bearing on industries as well as on the export trade. During the second five-year Plan, the outlay for the development of minerals was Rs 140 lakhs. But the actual expenditure was of the order of Rs 323 lakhs.

Besides the normal work of mineral development, two new schemes were taken up during the second Plan for the development of minerals. These consisted of the exploration of sulphide ore in Chitradurga district and iron ore investigation along the west coast of the state. As a result of the exploration of sulphides, reserves approximating to 20 lakh tonnes of pyrite were indicated. The scheme for iron ore investigation was responsible for locating a number of important deposits of iron ore nearer the west coast estimated to contain nearly 910 lakh tonnes of medium grade ore in parts of South Kanara, North Kanara, Chikmagalur and Shimoga districts. The Board of Mineral Development was first organised in the year 1952 as a separate unit, in order to give a fillip to the development of minerals. The board, is in addition to attending to the supply of mineral raw materials required by the government industrial concerns in the state, was also associated in exploitation *i.e.*, mining and marketing of a large number, of minerals, both for home consumption as well as for export.

New Minerals

The outlay on mineral development during the third Plan was Rs 117 lakhs and the expenditure was of the order of Rs 69 lakhs. During this period, the survey along the west coast revealed the existence of bauxite with a higher percentage of silica in parts of North and South Kanara districts. Starting an aluminium industry on the west coast using locally available bauxite is said to be a distinct possibility which should be fully investigated. Limestone as such, or in calcined form, is used in the manufacture of lime, cement, alkali, glass, paper, calcium, carbide, in sugar refining, as flux in iron smelting and as filler for many purposes. About 6,100 lakh tonnes of limestone have been estimated to occur in parts of Bijapur and Gulbarga districts.

A proper market survey for chemicals would enable this industry to be developed in Bagalkot area which is rich in resources of lime and can become the biggest lime-producing centre in India. The survey, was undertaken to improve the chemical and ore-dressing laboratories of the department for conducting investigations by adopting the latest methods of ore benefication. Investigations in Chincholi taluk of Gulbarga district indicated the occurrence of fuller's earth of nearly one million tonnes. It is reported that this material could be very favourably used in the oil refining industry and is one variety of clay which has the unique property



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of bleaching as well as cleansing and removing oil and grease. The exploitation of this earth can form a nucleus of an industry. A scheme intended to conduct an intensive survey of different categories of minor minerals like, building stones, houlder, shingle, gravel, shell lime, kankar, limestone used in burning, murram; brick earth, fuller's earth, bentonite, ordinary clay, sand road metal, red matti, shale and slate has been initiated. The resources of such material in each of the districts are being assessed as they are found to be very important in the building and construction industry.

Gold

All the gold that is produced in India comes from Mysore state. Active mining is going on at present in the famous Kolar Gold fields which have reached a depth of over 3,353 metres (11,000 feet) and to a less extent at Hutti in Raichur district. The production of gold in the state has been gradually declining. The value of gold production was Rs 513.8 lakhs in 1957 and it has come down to Rs 370 lakhs in 1968.

Silver

A small quantity of silver is being produced along with gold. The production of silver also has been decreasing and it has decreased from 418 kgs in 1957 to 274 kgs in 1968.

Iron ore

Iron ore is the basic raw material of modern civilisation. Mysore is richly endowed with extensive deposits of iron ore of excellent quality. The bulk of the export trade of India in iron ores (excepting Goa) is made up of ore produced in the Sandur region of Bellary district, where one of the richest accumulations of iron ore in the country are found. There has been a steady growth in iron ore mining and marketing. The production which was at the level of 3.80 lakh tonnes in 1957 rose to 21.33 lakh tonnes in 1960 and to 34.89 lakh tonnes in 1966 but came down to 33.63 lakh tonnes valued at Rs 164 lakhs in 1968.

Manganese Ore

Mining of manganese ore occupies a significant place in the mineral industry of the state. The manganese ores of Mysore, although poorer in grade, have the advantage of being low in phosphorus. The major manganese production area in the state is Sandur taluk in Bellary district. The bulk of production is exported. Exploitation of manganese in the state at present, therefore depends entirely on export with all its vagaries of supply and demand.

Chromite

Chromite is another important strategic mineral found in Mysore. Except Orissa, Mysore is the only state in the Indian union which has sizable resources of this mineral, so essential to the production of alloy and tool steel. Utilisation of the mineral, however, has not been attempted on a large-scale. The bulk of the chromite produced is being supplied to refractory mining plants. The production of chromite has shown a downward trend in recent years.

Bauxite

Bauxite is an important ore of aluminium. Deposits of this mineral are found in parts of Belgaum district. Reserves are estimated at over three million tonnes of different grades. Recent investigations have indicated the existence of bauxite with a higher percentage of silica along the coastal region between Coondapur and Bhatkal. Work on the development of aluminium industry with a target of production of 30,000 tonnes of aluminium has already started near Belgaum. The production of bauxite has been steadily increasing from year to year. From as low a production of 436 tonnes in 1958, it reached the level of 2,284 tonnes in 1960 and 18,000 tonnes in 1965. The output further went up to 19,076 tonnes in 1966 and to 21,055 tonnes in 1967 but it declined to 16,848 tonnes in 1968.

Magnesite

Magnesite is magnesium carbonate which is greatly valued as a refractory and is able to stand very high temperature. In the form of bricks, it is used to line furnaces. With the development of iron and steel industry, the demand for magnesite has increased. Mysore has workable deposits of magnesite. The production of magnesite has shown an increasing trend since 1957.

MINERAL OUTPUT

Mineral	Unit	1957	1968	Percentage variation
Gold	Kgs	5,574	3,588	—35.6
Silver	,,	418	274	—34.4
Iron ore	Tonnes	3,79,809	33,62,724	785.4
Manganese ore	,,	3,57,843	3,32,085	—7.2
Chromite	,,	6,602	3,469	—47.5
Bauxite	,,	436	16,848	3,764.2
China Clay	,,	23,866	17,144	—28.2
Limestone	,,	8,82,904	13,44,247	52.3
Quartz	,,	11,515	40,755	253.9
Magnesite	,,	1,020	6,018	490.0

Source : Department of Mines and Geology.

Power in Plenty

A CORRESPONDENT

THE PROGRESS of civilisation is based on development of power. There are three fundamental sources of power, namely, coal, oil and water. Cheap electrical power is essential for the economic development of a country. In fact, modern life depends so largely on the use of electricity that the quantity of electrical energy in the hands of the people is a modern measure of the people's command over their productiveness, their opportunities for industrialisation and their potentialities for the future. Plans for industrialisation of underdeveloped countries invariably begin with the production of electrical power. Since electricity has a remarkable diversity of application, it can bring great benefit to the people in a variety of other ways too. "Electricity is the most human and the most efficient form of energy. It is mobility itself; it can be brought to the people; people need not be brought to the source of energy", in other words, electricity is at once the best and cheapest form of power.

Mysore is not endowed with coal or oil resources. But the state has a number of river valleys with rich hydro-electric potential, which is being harnessed for the use of man. The history

of power development in Mysore makes romantic reading. The first hydro-electric power station was established as early as 1902, when the Cauvery river was harnessed to feed the Kolar Gold Mining Company from the Shivasamudram station. In the initial stages, power generation was started with an installed capacity of 4,500 kw at Shivasamudram. Gradually, the capacity was raised to 45,000 kW in 1938 as the demand for power grew rapidly with the increased use or electricity for rural electrification, irrigation and industrial development. With a view to meeting the increasing demand for power, another power station at Shimsha with an installed capacity of 17,200 kW appeared as companion in the same valley in 1940.

Sharavathi

The state was compelled to find ways and means of increasing its power resources and the first stage of the Mahatma Gandhi Hydro-Electric Works in the Sharavathi Valley with a total installed capacity of 48,000 kW was commissioned during 1947-48. This was further increased by 72,000 kW under the same scheme to a total installed capacity of 1,20,000 kW in 1952. Thus, Mysore state had an impressive start in this important field of economic development. Power generation in Mysore state kept up a reasonable pace with the load growth until the year 1955. On the reorganisation of the states, Mysore acquired a 20 per cent share of the total capacity of 72,000 kW from the two power stations on the right bank of the Tungabhadra dam along the Hampi Canal. The Tungabhadra left bank station, with a total capacity of 27,000 kw. came entirely under the control of Mysore.

Electrification in Mysore

At the time of the merger, the areas of Bombay and Hyderabad, Karnatak, Coorg and South Kanara districts were ill-served with electricity as compared with the erstwhile State of Mysore. Electricity was made available to important towns in these integrated areas by small diesel generating sets at the time of integration. The total capacity of all the diesel power houses was about 8,000 kW. It became evident that the load growth went beyond the installed capacities of all the generating stations. The per capita consumption in old Mysore state before the state's reorganisation was 63.72 kWh but it fell to 39.06 kWh. with the integration of areas from Madras, Bombay and Hyderabad states. It was below the corresponding figure in Tamil Nadu and Maharashtra. Thus, there was considerable leeway to make in the matter of power generation.

The sudden increase in the load growth therefore necessitated further investigations to utilise the waters of Sharavathi and other rivers to the fullest extent possible. Hence, during the second and third five-year Plans top priority was given to the development of power in the state. In the second five-year Plan of the State, the total allotment for power was Rs 27.28 crores or 19 per cent of the total plan outlay. The expenditure was of the order of Rs 26.56 crores. The power schemes of the second five-year Plan were aimed at making cheap hydel power available all over the state to industries, for homes and for irrigation purposes. The main schemes included for execution were the Tungabhadra, Bhadra and Sharavathi. During the second Plan, there was no significant increase in the installed capacity of the Mysore power system. The increased demand for power was met only by cutting down power supply to essential industries and consumers. Thus, the power famine forced the state government to resort to a process of staggering the supply on an extensive scale even to major industries and enforce a 30 per

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cent cut during the peak load hours. The Central Water and Power Commission conducted a load survey of Mysore in 1960 to assess the demand during the second and third Plan periods. Due to the shortage in generating capacity, demand could not be satisfied in full. The total number of towns and villages electrified in 1956 was 3,281: the number increased to 4,068 in 1960-61. The number of irrigation pumpsets serviced by electricity increased from 7,923 to 16,819 during the same period.

Redressing Imbalance

The main feature of the Mysore power system is that the generation of hydel power is inter-dependent on the demands of irrigation. Excepting the Sharavathi Valley hydro-electric project, all the other hydel generating projects are dependent upon the head of water in the reservoirs. Hence, power generation from these projects result in dislocation of work during the summer months. In order to overcome this difficulty, the state government thought of generating thermal power as a backing for hydel power. The main objective in the third Plan was to develop the maximum generating capacity as quickly as possible in order to meet the rising load demand. Therefore, the first priority in the third Plan was given to the development of power and the outlay was Rs 68.98 crores forming about 27.9 per cent of the total plan outlay for the state. It was also realised that, unless steps were taken to expand the power system considerably, the industrial development of the state would be retarded.

This led the state government to embark on the Sharavathi project. The first stage of the Sharavathi Valley Project which was started in the early part of the second Plan consisted of installation of two units of 89,100 kW each. In view of the very huge load demand, it was thought feasible and more economical to develop the second and the ultimate stages of the Sharavathi project, which accounted for the addition of six units of 89,100 kW. each and two more units of the same capacity respectively. Besides, the Bhadra Hydro-Electric project with an installed capacity of 33,200 kW was also commissioned. Power generation increased to 1,914.3 million kWh in 1965-66 from 1,057.7 million kWh. in 1960-61 and consequently the per capita consumption of power increased to 60.0 kWh from 39.1 kWh In order to cope up with the rising demand for power, Kalinadi Hydro-Electric project was taken up in North Kanara district. Investigations of several other power projects in North Kanara and Coorg districts. viz. Aganashini, Bedthi and Barapole projects also took place.

As a result of the construction of an extensive network, hydel power was distributed to the remotest parts of the state. Thus, the regional disparities which were prevalent during the earlier plan periods were minimised to a certain extent. The generating capacity in the state at the end of the second Plan was 1,99,286 kW and at the end of the third Plan it had increased to 4,44,035 kW A new era of power development thus started during the third Plan period.

Rural Electrification

Rural electrification programme recorded good progress during the third Plan. Out of 26,608 towns and villages in the state, 5,516 were electrified by the end of 1965-66. Thus the number of towns and villages served by electricity increased from 4,068 in 1960-61 to 5,516 in 1965-66. This means that 1,448 towns and villages were electrified during the third Plan. Further, the total number of pumpsets electrified was 42,288 at the end of the Plan period. During the third Plan itself, 25,469

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pumps were served with electricity as against a target of 21,000 pumpsets. Besides, schemes like new step-down stations and additions to existing sub-stations and frequency conversion were initiated during the third Plan. It was during this period that the state became surplus in power and was in a position to export power to the neighbouring states. The annual revenue from sale of power which stood at Rs 580 lakhs during 1960-61 (end of the second Plan), had reached the level of Rs 1,235 lakhs by 1965-66. From the point of view of towns and villages electrified, Mysore compared favourably with many other states in India.

Mysore has fared better than its neighbouring states in the utilisation of electric power also. While Andhra Pradesh was using 3,200 kWh, Kerala 4,200 kWh and Tamil Nadu 5,000 kWh, Mysore was utilising 5,400 kWh/kW in 1963, thereby indicating the industrial growth of the state. With periodic additions through the commissioning of the remaining units of second stage of Sharavathi, there was a further increase in the installed capacity of the state. More transmission lines and sub-stations were constructed during 1967-68. As a consequence of the work done in providing transmission lines, significant progress was recorded particularly in the field of rural electrification and servicing of irrigation pumpsets. In the year 1967-68, 16,577 pumpsets were serviced exceeding the target of 15,000. This raised the total number of serviced pumps to 71,189 in the state. Further, 928 villages were electrified during that year and this brought the total number of villages electrified in the state to 7,317 at the end of 1967-68.

A New Era

With the commissioning of the Sharavathi Valley Project, a new era of development dawned in the state and at least part of the glory that the state enjoyed as a pioneer in the field of generation of hydro-electricity has now been restored to Mysore. This great event will ever remain a significant land-mark in the history of economic development of Mysore. There has been a massive increase in the installed capacity power generation, rural electrification and servicing of pumpsets in the state. In the first Plan, the allotment for power was 28.8 per cent of the total plan outlay of the old Mysore state. In the second Plan of the new state, the total provision for power amounted to 19 per cent. In the third Plan, the allotment was as much as 28 per cent for development of power.

The total generation of power was 1,057.7 million kWh in 1960-61 and this capacity has increased by two and half times within the period of eight years. Government has accelerated the rural electrification programme and an extensive net work of transmission lines carry hydel power to the remotest corners of the state. An immense gain from power development in the state has been that many people are now able to get the benefits of electricity, which will provide an additional spur to the growth of small-scale and cottage industries. The towns and villages numbering 26,608 in the state, only 3,281 had electricity in 1956. This number reached 7,882 in 1968-69. Although good progress has been achieved in respect of electrification, there are regional imbalances. In the matter of electrification of towns and villages, the old Mysore area, with the exception of Hassan district, is better served and the districts of Bombay-Karnatak area and Hyderabad-Karnatak area are not adequately supplied with power. These imbalances are being rectified.

Magnet Wire Industry

A. P. MEHTA

Deepak Insulated Cable Co. Ltd.

MAGNET WIRES have come to stay, playing a very important role in the manufacture of various electrical equipments. Be it an electric motor, a generator, a dynamo, a transformer, a refrigerator, a radio or a telephone exchange, it cannot be without a component or a sub-assembly made of magnet wires.

The various equipment manufacturers in India were, till recently, depending on imports for their requirements of magnet wires. The local industry, which was yet in infancy, could not cater to the requirements of magnet wires either in full or, where they could in part, it would not satisfy the rigid specifications on which depended both the safety and the satisfactory performance of the ultimate equipment. The position is different to-day. The local magnet wire industry is able to meet not only the requirements of the local consumers to their entire satisfaction, thus succeeding in import substitution, but they have also been exporting their products to even developed countries such as Australia, New Zealand, Hong Kong etc., thus earning very valuable foreign exchange.

The foregoing statements create a very rosy picture of the magnet wire industry in the minds of the readers. But only those who are closely associated with this industry can see vividly the difficult problems they have to face in keeping their industry in full swing.

The magnet wire industry mainly requires (a) electrolytic copper, (b) different types of enamels, (c) dies of high precision, and (d) special insulating kraft and manila papers.

With regard to copper, India is entirely dependent on import of electrolytic copper. The copper market so much fluctuates that the manufacturer is not certain as to the rate at which he can procure the next consignment of copper. Also, as the producers of copper are themselves under various pressures, both political and economical, there is no certainty that supply of copper can be smooth and regular.

The magnet wire industry gets its copper on a replenishment basis: that is, whatever be the value of copper consumed during a particular quarter will be reimbursed in terms of value by the licensing authority, which has its own drawbacks. With regard to enamels, here again, the ingredients for manufacture of enamels are being imported. It will be relevant here to point out that a magnet wire industry, if it has to compete with other manufacturers either in India or abroad, should have its own enamel manufacturing plant.

Insofar as dies arec oncerned, even though some die-making plants are there, yet, the quality of dies has left such to be desired. As suggested in the case of enamels, it is worthwhile that each magnet wire manufacturing unit should have its own die-making department which alone can ensure prompt deliveries to the customers and at the same time bring down the cost of production of magnet wires.

The magnet wires have a great fu-

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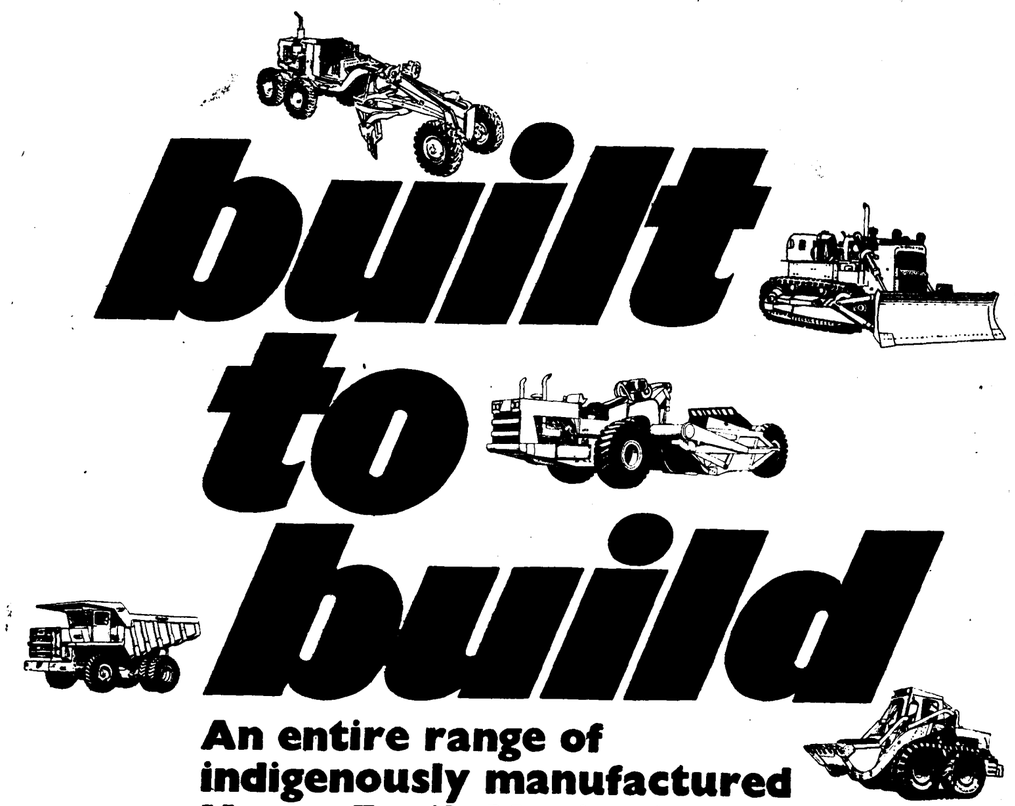

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ture on which depends the efficacy of the electrical equipment being manufactured. The magnet wire industry, in general, has therefore much to contribute to the national economy by way of industrial progress.

Sharavathi Hydro-Electric Project

K. S. RAMANUJAM

"WHAT A magnificent waste"; these these were the remarks written in the visitor's book kept at the guest-house facing the picturesque Jog Falls in Mysore State 50 years ago by late Dr M. Visvesvaraya, the then Diwan of Mysore. These words of deep concern from the architect of modern Mysore had their effect 20 years later when the first team of young engineers of the electricity department of this state began investigations in 1938 as a result of which the first power house, though a small one, was commissioned 10 years later in 1948. As the Father of the Nation, Mahatma Gandhi, was assasinated one day before it was due to be commissioned, the then Maharajah of Mysore promptly christened it as "Mahatma Gandhi Power House".

Only an insignificant part of a power potential had been tapped and that it was one of the few sources which had immense scope without too much of complications. On the other hand, nature had provided for a reservoir which could store all the water that the 82-mile long river Sharavati could bring to it, if only a substantial masonry dam could be raised on one side of it. Work on this commenced 10 years ago in 1958 as part of Mysore State's second five-year Plan.

River Sharavathi, the great source of over a million kw of electric energy, has some unique and interesting features which are noteworthy. It is claimed that Sri Rama, in the course of his wanderings during his exile, had come to the place of Sharavathi's origin and felt thirsty. As there was no water there, he pierced the ground with one of his arrows and water began to flow and thus the name "Shara .....meaning arrow" came to it. During its entire course over the western ghats, it passess through dense forests where annual rainfall is anywhere between 60 and 300 inches mostly during the south-west monsoon period. At Jog, this river drops over a vertical cliff of 835 feet at the 64th mile of its course and this is the world -famous, the most picturesque Jog Falls. It is this phenomenon which has enabled the Mysore engineers to harness practically the entire flow available in this river for power generation at a most economical cost. And what a pity that not a drop of this water has any use for cultivation as in the case of most other rivers of south India where they subsequently have long journeys over the arid plains to help grow food crops.

Very soon Sharavathi would have been harnessed completely except for yet another power project which is considered possible from the water flowing out of the present scheme before it reaches the Bay of Bengal 20 miles away. But then, it would be a comparatively smaller one with a little over one hundred feet of height available for it.

The Sharavathi River valley project consists of installation of ten units of 89,100 kws each in three stages, two units in the first stage, six in the second and two more in the last stage. The first two were commissioned by late Lal Bahadur Shastri three years ago on January 24, 1965. This indeed marked a red letter day in the history of power development in Mysore state. Two more units in the second stage were commissioned by the US Ambassador Mr Chester Bowles on March 27, 1968. Another two units will be ready in a month or two and the second stage will be completed by the middle of next year. The last two units of the third stage will most probably go into service by 1971-72.

Some figures would help to indicate the size of this great project, The 181 feet high storage reservoir near Linganamakki has an impounding capacity of 156,000 mcft of water and is the biggest reservoir in south India being 1.25 times the size of Tungabadra and 1.7 times that of Mettur. Also Sharavathi is the biggest single hydro station in India with a total capacity of over a million kw.

Four separate high voltage transmission lines branch off from Sharavathi to different parts of Mysore and to feed the southen grid to which it is linked. The total cost of this project is expected to be about Rs 95 crores. The cost per kw installed capacity works out to be Rs 1,000 which is claimed to be the lowest in India.

Generous assistance has been received for this project from the US government by way of loans both for the first and the second stages of the project without which it would not have materialised as fast as it has done. Apart from 29.9 million dollars, the US AID loan from PL 480 funds amounted to Rs 34.45 crores.

Sharavathi would be the main source of power for the rapid industrial growth of Mysore state duing the next decade. The proposed aluminium factory at Belgaum, fertiliser factory at Mangalore, and expansion of the Myrore Iron nd Steel works at Badravathi are but a few of the major projects that have been made possible on account of the power being made available from here.

The north-western parts of Mysore state which have been very backward, would benefit immeasurably from Sharavathi power and as Ambassador Bowels said, it would transform many of the rural parts of Karnataka by lighting the homes of the people and running their agricultural pumps.

Special Steel from Bhadravati

A CORRESPONDENT

THE MYSORE Iron and Steel Limited is an integrated steel plant producing pig iron, mild steel, alloy and special steels, ferrosilicon, cast iron, steel castings, spun pipes, cement etc.

The history of Bhadravati is a matter of great pride to every Mysorean and every Indian. Conceived by the illustrious and dynamic Dewan of Mysore, Dr M. Visvesvaraya, it started in 1923 as a small departmental unit with a wood distillation plant and a charcoal blast furnace of 60 tons capacity with a total investment of Rs 1½ crores. Whereas the plant was dormant for a period, a 30,000-tonne capacity steel plant was established along with a cement plant for 18,000 tonnes in 1936-38 and a ferro-silicon unit, first of its kind in Asia, was started in 1942. The investment increased to Rs 3.6 crores by 1950.

The turning point in the history of

Bhadravati was the year 1965. It was during that period, that Mr C. Subramaniam, the then union Steel Minister, cleared the conversion of the entire mild steel unit into an alloy and special steel plant with an annual capacity of 77,000 tonnes, being the biggest alloy and special steel plant in the country. Coupled with the alloy and special steels scheme, the expansion of the pig iron production was cleared for an additional capacity of 1,20,000 tonnes. The total investment for the conversion of these two schemes of Rs 36.35 crores with a foreign exchange involvement of Rs 15.27 crores met by loans obtained from M/s. K. F. W., Bankers of West Germany and also the rupee component having been met by long-term loans. The overall total investment cost of the entire works would be of the order of about Rs 65 crores when all the present expansion and conversion schemes are completed by the end of this year.

The field of alloy and special steels is as fascinating as it is inevitable for the progress of engineering industries all over the world. The sophisticated steels produced after sustained chemical and metallurgical experiments over the decades, are utilised in a variety of intricate engineering industries for specialised purposes. Special and alloy steels have replaced the traditional mild steel by imparting greater strength to any particular part in which it is used for the weight ratio compared to mild steel.

The low electricity rates coupled with careful planning makes the Bhadravati unit the most viable special steels project in the whole of India and incidentally the largest.

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The company has made sustained efforts to conserve and also earn foreign exchange. MICO products are being exported on an increasing scale, the bulk of the exports going to West Germany. In the recent past, exports to the USA and other countries have shown a marked increase. At every stage of manufacture, quality is given the utmost importance. The company has a well-organised quality-control department, independent of the production department. MICO products are manufactured in a large, modern factory in Bangalore, chosen as the location partly because of its temperate climate, advantageous for high-precision manufacture. The up-to-date equipment installed in the factory includes special-purpose machines, both for manufacture and testing, designed and fabricated by Robert Bosch GmbH. To conserve foreign exchange, the company has started to fabricate complicated equipment for its own use.

The Central Food Technological Research Institute

The food industry is the largest group of industries in the country. Nearly 95 per cent of the industry consists of small units which have remained traditional in their outlook and production and marketing techniques. It has not adopted to any considerable scale modern science and technology. To place this industry on a sound techno-economic foundation, a well-planned research and development programme designed to discover and propagate better production and marketing processes is indispensable. As the units in food industry are mostly on cottage-scale basis they are in no position to undertake research and development activities. In this context, the Central Food and Technological Research Institute (CFTRI), Mysore, was set up to fill this vacuum. The institute has over the years geared its multi-disciplinary work to support the economic development of the country in the area of food science and nutrition. The main efforts of the institute are oriented towards development of better storage techniques for cutting down food losses, improving the processing technology of foodgrains and providing finished product of a high quality to the consumer. It also helps in efficient utilisation of bye-products. The institute has developed high-protein food to substitute and supplement milk to meet the needs of the most vulnerable groups of population and thereby overcome the widely prevalent protein malnutrition in the country.

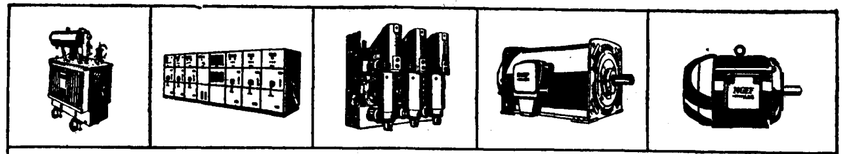
The CFTRI has specialised facilities to assist the food industry in solving its problems through technical consultancy and advisory work. Also process development and engineering facilities have been built up at the institute to scale up the result of researches for commercial utilisation. The institute collaborates with industry in research projects which have good commercial prospects.

State Bank of Mysore: Special Farm Credit

P. S. VAIDYA

THE YEAR ended July 1970 has witnessed a wind of change blowing across the banking industry of the country. Banks have now been called upon to act not only as a catalyst in the economic development of the country but as a prime mover. With new guide lines laid down for them and with businesslike boards of directors, the recently nationalised 14 banks have geared themselves to playing the role assigned to them. The change in policy indicated to the nationalised sector of banking was not, however, something new to the State Bank of Mysore. By its very character the bank had already made its mark as leader in the new tasks entrusted to the banking sector.

The State Bank of Mysore is a unique institution: it is a bank, it is a state bank, but it is also something more in the sense that its founding fathers sought to close a void in the financial infrastructure of the erstwhile Mysore state when they decided on establishing the bank in 1913. Subsequently, as part of the nationalisation of the erstwhile Imperial Bank of India, the central government envisaged the creation of a co-ordinated, integrated structure comprising the new State Bank and several state-associated banks. The



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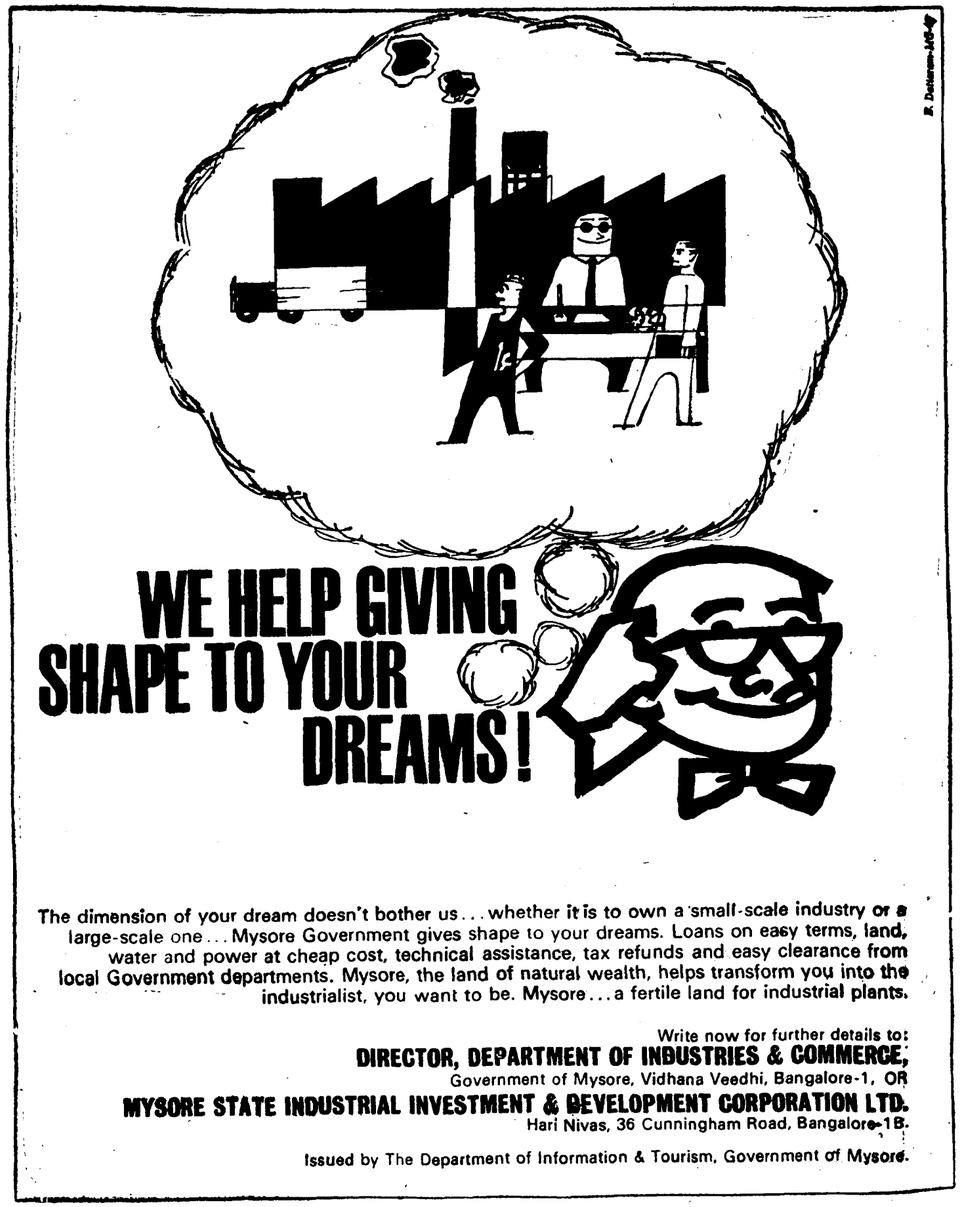

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objectives included financial assistance to the neglected sectors of economy like small industries and agriculture, either directly or through co-operatives, and taking the banking habit to the country side. This is the background against which the Bank of Mysore was constituted as a subsidiary of the State Bank of India in March 2, 1960. Assistance to small industries through the medium of banks was suggested as a means of increasing the employment potential, endeavouring towards progressive diversification of industrial units and thereby ensuring a more equitable distribution of the fruits of the economic growth in the country. State Bank group has been extending credit facilities to technologically oriented small-scale industries—as distinct from the conventional small units—for over a decade.

In addition to the liberalised scheme of financing small industries, the banks in this group have instituted what is known as an entrepreneur scheme under which financial assistance is extended to new entrepreneurs proposing to set up viable industrial units. It is a matter for gratification that a large number of units financed by the bank are really small, needing limits of Rs 50,000 or less. In its drive for assisting the neglected categories, the bank has not lost sight of traditional industry and business finance. Indeed the bank has played a major role in the industrial development of the state by assisting large concerns in both the public and private sectors. Besides the continued assistance to industrial customers of long standing, the bank has granted credit limits aggregating about Rs 18 crores to as many as 10 out of 21 government sponsored/aided industrial concerns in the state.

The bank entered the field of agricultural finance towards the middle of 1968, since direct financing of farmers was until then not open to commercial banks. Finance is available to farmers for their short-term requirements as well as for purposes such as purchase of tractors, pumpsets and other equipment, digging of wells, bunding operations etc. The bank has also evolved specialised schemes such as the Farm Graduate Scheme, schemes for financing dry farming activities including Sea-Island cotton, Virginia tobacco and also sericulture. Besides direct finance to farmers by way of crop loans or term advances, the bank assist agriculture by extending credit facilities for the distribution of fertilisers and by reimbursing the expensis incurred by the Mysore State Agro-Industries Corporation for various activities. It may be worth mentioning that the bulk of agricultural credit, whether direct or through co-operatives, has gone to farmers possessing five acres or less each.

Mysore : An Economic Picture

MANI NARAYANASWAMY

THE VARIED and picturesque physical characteristics of Mysore, together with its well-known climate, are capable of spawning a considerable growth in both industry and agriculture. (Particularly favourable preconditions for economic development include a relatively low density of population, 123 per square kilometre.) It has a reasonably good base of natural resources in terms of coastline, forest and mineral wealth. It has a few west-flowing rivers, which originate in the Western Ghats, a region of perennial rainfall and have the sharp heads essential for developing hydro-electric systems. The state falls in the command of two major river basins, the Krishna in the north and the Cauvery in the south, around which a lively and modernised agriculture is growing.

If in spite of these advantages, and a history of generally good administration in most parts of the state, whether they were part of the princely Mysore state or the Bombay or Madras Presidencies, or Coorg, or even Hyderabad state, progress has been less than spectacular so far, this is due to factors such as:

(*i*) Problems, of both administrative and economic nature, folowing upon state's reorganisation, requiring sustained and continuous attention;

(*ii*) A great divergence in standards reached in the constituent units of the new state, in terms even of basic amenities like water, roads, and housing. Hence, heavy expenditures on social overheads have been inevitable; this takes a long time in showing returns;

(*iii*) Problems of financial nature, especially of securing adequate central aid and central investment, in-keeping with our essential programmes of development;

(*iv*) In the initial years, a shortage of electric power; and

(*v*) Difficulties in exploiting potentials under irrigation, both major and minor.

In spite of these adverse factors, however, the state has a creditable record on the following:

There has been a real growth of state income and per capita income. In 1960-61, the state income was Rs. 708.21 crores and in 1969-70 it is Rs 1360. 20 crores. Per capita income has moved up from Rs 285 to Rs 500 in the same period. Translated into real terms, the annual growth of per capita income has been 2.5 per cent.

Sector-wise, the rural sector now acounts for 62 per cent of the state income, as against 60 per cent at the start of 1960-61. Though the difference is small, it reflects a real change in the direction of economic development.

The power generated in the state has risen from 1,031 to 3,120 million kW. The per capita consumption of electricity which was 23 units at the time of the formation of the state in 1956, has climbed steadily, and is likely to reach 90 units for 1969-70.

The number of electrified towns and villages which stood at 3,901 at the commencement of 1960-61 has now gone beyond 9,000.

The number of agricultural pumpsets, which bring water and wealth to the rural areas, has increased from 14,750 to 1,11,000.

The output of foodgrains which stood at 3.8 million tonnes has increased to five million tonnes, much of it in the latter half of the decade (1960-61—1969-70), representing the fruits of a scientific breakthrough unparalleled in the history of the state.

The number of primary schools has gone up from 27,050 to 32,210, with an increase in the number of school-going children from 2.2 million to 3.3 million.

The percentage of total enrolment in the age group 6-11 has risen from 74 to 85.4 per cent, and for girls

it has gone up from 55 per cent to 74.7 per cent.

In the care of weaker sections of the community, in the widespread improvement in education and social services, in the strengthening and diversification of economic and political institutions at village level, the decade (1960-61—1969—70) has seen impressive achievement.

The road mileage of the state has gone up from 28,384 to 36,134, *i.e.* by 27.34 per cent.

The state government is aware of the areas of deficiency, and a determined effort is under way to exploit fully our available resources and talents. The principal goals of development were indicated in clear terms by the state's Finance Minister in his budget speech for the year 1970-71.

These goals reflect commitment to objectives and results rather than to narrow ideology. They speak of ways of genuine incentives and entrepreneurship among the people rather than trying to do everything under state auspices. They point to the challenges of the decade of the 1970s they also point to the state government's pragmatic approach to meet its needs and surmounting its challenges.

In presenting these goals to the legislature and commending them for acceptance by the people of the state, the Finance Minister made the following observations:

"These are goals for the state and not merely for government. We must, therefore, all share in the tasks before we can share in their fruits. While money alone will not accomplish these goals, it is certain that we will need to gather more resources than are now in sight. As the vicious circle of poverty is broken, we see evidence, however, of a new, more beneficient and widening circle of prosperity. This must generate the resources. The Government of India and all the institutions in the field of economic development must help too."

The path to prosperity is bound to be a difficult one. The state has been adversely hit by the award of the fifth Finance Commission, although the Government of India has generally taken a constructive and helpful approach to the problems that have followed this adverse award. This means that, in spite of all its efforts to raise resources and secure returns on its projects, the state is bound to face several problems in the years ahead. It would also be a mistake to think that, with the limitations on its budgetary resources, government by itself can achieve the desired objectives. The state has, therefore, a wideranging programme of building up institutions which can generate their own talent and resources over a period of time. The state government also believes that the release of individual initiative and the creation of a climate of stability and harmony can do very much more to raise economic standards, than mere governmental expenditures. With this in view, the state operates a system of minimum support prices for agricultural products and also offers several incentives for the setting up of industries. There is a whole family of state sponsored institutions as well as others in the co-operative sector and elsewhere, which stand ready to extend their helping hand to the farmer or the potential investor or entrepreneur.

NGEF

This is an important industrial unit of the Government of Mysore. The factory is situated at Byappanahalli, off old Madras Road, Bangalore. The range of manufactures covers a wide field in electrical equipment. That a wide range of strong and reliable transformer motors and switchgears transformers is being manufactured by the unit underlines the rapidly growing market for these products. NGEF was the first unit of its kind in the country to have contracted export one crore rupees worth of its products to the European market. Their manufactures include power transformers up to 40 MVA 132 KV, distribution transformers up to 1,600 KVA 33 KV, furnace transformers up to 15 MVA 33 KV, rectifier transformers up to 15 MVA 110 KV. Other items consisting of synthetic liquids filled, non-inflammable transformers up to 33 KV, smoothing reacters and dry type distribution transformers and auto-transformers. Addressing a news conference some time ago, the managing director of NGEF said that the company was poised for greater strides in the next few years and that the export order received by the unit greatly encouraged it to look ahead with confidence.

MYSORE STATE ELECTRICITY BOARD

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POWER INTENSIVE INDUSTRIES
NEW INDUSTRIES REBATE
ALLOWED FOR HIGH TENSION
CONSUMERS
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3% IN THE SECOND YEAR
2% IN THE THIRD YEAR

VOLTAGE REBATE OF
7% IF POWER SUPPLY IS AVAILED AT 110 KV AND ABOVE
5% IF POWER SUPPLY IS AVAILED AT 66 KV
4% IF POWER SUPPLY IS AVAILED AT 33 KV
IS ALLOWED
NEW INDUSTRIES EXEMPTED FROM
PAYMENT OF ELECTRICITY TAX FOR FIVE YEARS FROM THE DATE OF COMMENCEMENT OF PRODUCTION

First in Tea, Fifty Second in Rice

M. A. SREENIVASAN

AT THE conference of the United Planters' Association of Southern India, recently held at Coonoor, the President Mr N. Bhagwandas drew attention to some facts about our country's agricultural status and potential that are as highly significant as they seem little known. He pointed out that in the 23 years since independence, India's plantations, which occupy less than one half of one per cent of the total cropped area, earned over 3500 crores of rupees of foreign exchange for the country; that India holds the first rank in the world in yield per acre in the growing of tea, the third rank in the world in respect of coffee and the first rank in the world in production increase of rubber. In sad contrast, the yield per acre of essential crops which occupy millions of acres are at the bottom of world ranking —52nd among 68 countries in rice, 45th among 49 in cotton.

What accounts for these glaring disparities? How is it that, while we are on the top of the world in tea and coffee and rubber, we are so miserably low in essential crops such as rice for food and cotton for clothing, and have to spend foreign exchange to import them from other lands?

In my view the answer stands out, clear and conspicuous, under the sunny blue sky of our land, reminding us of the old proverb "none so blind as those that will not see".

Battleground or Playground

The answer is that land, with the merciful exception of plantations, has become the playground—and of late the battleground — of politics in our country. Title to land that, from time immemorial was held as 'Sthira', permanent, secure, is today a scrap of paper, torn into bits, bandied and blown about in every political paperchase.

Agriculture, the nation's greatest and most basic industry has become the biggest investment risk. The river of capital that flowed into it and made it green and productive has dried up. A lawyer in Madras, a professor in Bangalore, a doctor in Delhi who invests his saving's in a piece of paddy land, or a field of wheat or cotton and remits money for a well or pump or fertiliser is called an absentee landlord, a parasite, an abomination to be eliminated. If, instead, he holds shares in a steel mill in Jamshedpur or a brewery in Solan he is not castigated as an absentee steel-lord or absentee beerlord. And then there is the incessant cry of "land to the tiller", "land to the tiller" — argle-bargle regurgitated so tiresomely that one feels moved to suggest,—why not leave land alone and for a change try, with equal force, "Cloth to the Weaver", "Curry to the Cook!"

Why this obsession, why all this bugaboo over land?

Land Ownership

At the risk of being called reactionary, bourgeois and such, I venture to suggest that it is a feudal relic, an atavistic throw-back to the days of conquering back to the days of conquering invaders who seized and became masters of large tracts of land that belonged to others. We know that from ancient times it has been the habit of Maharajas and Sultans to make gifts and inams at their pleasure. The commonest form of royal gift was of land that fell under their sway. In giving land the Sultan gave nothing that diminished his riches and possessions or interfered with his pleasures. It was, as the Tamil saying has it, like grabbing a coconut from someone's shop and breaking it to propitiate the idol of Ganesha. "Nothing is clearer in history," writes Will Durant, the famous philosopher-historian in "Lessons of History", "than the adoption, by successful rebels, of the methods they were accustomed to condemn in the forces they deposed". No better example of this can be found than the way our present rulers, having deposed Rajas and Nawabs and condemned their ways, have become addicted to the favourite habit of their predecessors of making gifts of land.

Admittedly, the habit has attractions that are unique. Is there anything you can give that is easier, more pleasing and costs you less than giving land that is not yours? Air, — not hot air, but cool refreshing air — is God-given and free for all. Water, drinking water in particular, is easier promised than pro-

Hindustan Aeronautics

Founded by Walchand Hirachand in December, 1940, in association with the Government of Mysore, the value of this important unit, now wholly owned by the Government of India, is considerable in that it contributes to the building up of the basic defence needs. Looking back in retrospect, it is indeed heartening to note that the achievements and growth of HAL, have contributed significantly to the growth of the aircraft industry. The steady progress and improvements carried out at various stages indicate that the future pattern of this unit would go a long way in making our country not only more defence-conscious but also defence-prepared. In 1947, the aircraft engineering department was re-organised. All-metal basic trainer aircraft HT II was successfully designed and developed for the Indian Air Force. The company obtained licence in 1950 for manufacturing Vampire fighter and trainer for the Air Force. What was more, an agreement with Folland Aircraft Ltd was entered into in 1956 for the manufacture of 'gnat' transonic jet fighter aircraft. All orders for this aircraft have been fully and successfully executed. The factory undertook the manufacture of supersonic fighter aircraft known as HF 24 in 1956. Valuable contribution to this manufacture has been made by German engineers. This project is now being handled exclusively by Indian engineers. HAL also diversified its activity in the field of manufacturing cheaper trainer aircraft to cater for the needs of flying clubs. In 1967, HAL took a further stride in meeting the larger needs of our agriculture and took up the design and development of an agricultural aircraft for crop spraying and pest control. Apart from the manufacturing programme, HAL performs a vital role in attending to the repair and overhaul of different kinds of aircraft.

vided. It is hard to part with cloth, to part with cash is harder. So why not give land, play about with land, take it from the owners, impose ceilings and slash them down, give land as you please, give pattas to the landless, give to political sufferers, give to all whose votes you seek?

Our Constitution still safeguards the fundamental right to property. Intimidation, trespass, dacoity are still punishable offences under our Penal Code. It is a crime to stifle the freedom of citizens, even to the chant of slogans and the waving of flags. The thugs used kerchiefs and chanted "Jai Bhavani" as they strangled their victims.

"So what? exlaim the new Sultans, in exultation. "We shall amend the Constitution again. We shall ignore the Penal Code". Ministers lead gheraos, and abet landgrabbing. One Chief Minister confesses helplessness against the rising tide of barbarism. dacoity, and murder in his state. Another laments the widespread gangsterism, and the forcible seizure and occupation of land in his. Anarchy spreads. Bhu Devi, Mother earth, also called Dharani, the mother that bears in patience, is being torn apart. Iconoclasts are after the image of the goddess. They shut their eyes to the fact that crops will not grow on battle-grounds, that land cannot be eaten by the landhungry, that pattas are not edible. If all the available land is distributed among the 550 million of India, there will not even be an acre for each person; it might be a successful way of growing more votes, not food.

What has made it possible for India to get to the top of the world in the production of tea and coffee and rubber in sharp contrast to her humble position in respect of crops needed for food and clothing? How is it that the production of plantation crops have been trebled and quadrupled in ten years, that these proud results have been achieved, not in some foreign land, not by aliens, but by our own countrymen, on Indian soil under the Indian sky and climate with all its well-known droughts, monsoons, and floods? Has Indian agriculture in this small area no example to offer, no lesson to teach for the remaining 99.5 per cent of the area?

It undoubtedly has, except to those who will not see. It is a striking demonstration of what Indian agriculture can do if only it is left free to be run as an industry, — industry in which investment is safe, not hazardous, ownership is not under constant threat, growth is not stifled by ceilings, where the sky is the ceiling and the flooring is the good earth, where all the controls needed are strong fences, and the relentless control of pests and trespasses.

I have referred to the Indian climate, and the performance of our agriculture, high and low, under that climate. But we should not forget — and if we do, the newspapers forcefully remind us every morning — that all of us, more particularly those engaged in agriculture, be they individuals or companies, live and move and have our being, not under one climate, but two: Nature's climate, made in the skies above, and the man-made climate produced in planning cells and ministries here below.

The sky-made climate is one under which we are born and to which we have got acclimatised over generations. If it is harsh in one region, it is propitious in another. If it is unfavourable in one year, it is bountiful in the next as it indeed has been in the past two years.

Not so the man-made climate. It is an all-India climate. It knows no seasons. It is continuous, unpredictable, unrelenting. While, with centuries of experience and the advance of technology, people may claim a measure of success in foreseeing and coping with Nature's climate, they feel increasingly helpless against the vagaries and vicissitudes of the man-made one. And if there is one common note in all the economic surveys and the annual reports of enterprises, big and small, over the past decade, it is the chorus of lament of the rigours of this climate, — dangerous inflationary pressures, widespread depressions, dense fog, rough weather.

The picture often comes to my mind of a circus act I saw years ago. A large revolving platform was installed in the middle of the ring. On the edge of it stood a lovely white pony, riderless, and brighty caparisoned. At the crack of the ringmaster's whip the pony began to walk along the edge of the platform, which started moving under its feet, slowly at first, in the opposite direction. As the act went on, the platform turned faster and faster, and the pony trotted obediently, then broke into a fast canter and was soon galloping breathlessly, its mouth foaming, to hold its position on the platform without getting swept back. I have often reflected how, under the big tent to our man-made climate, every enterprise in the country is in the same plight as that poor pony and must perform non-stop, with no rest or respite, that same cricus act to keep itself from falling behind or being thrown out—struggle harder and harder, pro-

Radio and Electricals Manufacturing Co. Ltd, Bangalore

(A Govt of Mysore unit)

This unit performs a vital function in the field of telecommunication and is at present manufacturing single and poliphase meters, transistor radios and loud-speakers. One important aspect of its activities is the valuable technical collaboration with Messrs Tokyo Shibara Electric Co. Ltd., Japan, for electronics. For water meters, it has technical collaboration with Aqua Metro Water Meters Works Ltd., Switzerland. Manufacture of band switches is done in collaboration with Messrs A.B. Metal Products Ltd., London and paper and electrolytic capacitors in technical collaboration with Telegraph Condenser Company Ltd., London. It may be mentioned that only technical know-how arrangements have been made with the collaborators and there is no capital participation by them.

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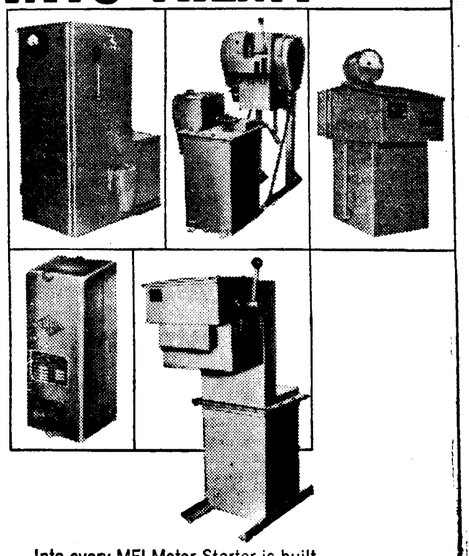

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Erratic climates can produce the oddest and most contrary results. Let me give an instance.

In the Mysore state where 70 per cent of India's coffee is grown, a planting company that has more than doubled its production over the past decade is left with the same net income it earned when it grew less than half the crop.

"Double, double, toil and trouble".

The holder of a hundred shares in the company which are equivalent to less than one acre of coffee, is taxed on the income from that acre at double the rate paid by the owner of a hundred acres —the very reverse of the socialistic pattern.

But of all the oddities engendered by the climate, the oddest and most incredible is this. There is today, as we all know, a lot of fugitive and furtive money seeking asylum. Coffee estates, among other things, are fancied as a comparatively secure lodging of funds in the bosom of mother earth, immune from such things as wealth tax. The scale and pattern of the tax slabs are such that by cautious subdivision or judicious partnership with wives and brothers, in-laws and out-laws, the tax burden can be substantially lightened if not avoided. Thanks to inflationary pressures, interest rates have gone up; and sound debentures and deposits are offering higher and higher rates of interest while costs cultivation are rising and the income of plantation companies (the bulk of which is taxed at 50 per cent with no depreciation allowed), is shrinking. The result of it is that more than one coffee producing enterprise in the state can earn a larger net income after tax, and pay a higher dividend to its shareholders by selling all its estates and investing the proceeds in first-class securities forget all about production or employment or export and live in peace and quiet, unbothered with costs and margins, unworried with disputes, unconcerned with climates and monsoons and unplagued by pests, — a result that the climate-makers could surely not have wished to create, especially for an important agro-based industry.

The Government of Mysore is fully conscious of this anamoly. The matter is now under active consideration of a committee appointed to make recommendations to nationalise the tax structure of the state, under the chairmanship of a distinguished administrator whose knowledge of matters of finance and taxation is unrivalled. It may well be hoped therefore, that this thoroughly irrational and inhospitable climatic condition may soon be remedied.

Bharat Electronics Ltd., Bangalore

The growth of this unit has been phernomenal since 1956. Starting with two items of manufacture in 1956, today the factory is equipped for the manufacture of no less than 80 electronic components and equipments. Although production in BEL is defence-oriented, it has already diversified to produce a wide-range of items for many private sector industries in the country. Vital electronic components such as valves, transistors and capacitors for radio receiver industry are also being manufactured on a large scale. The range of production underlines the growth in the country's sensitive industries. An appreciable growth was noticed in 1963-64 following the Chinese invasion when an unprecedented increase of hundred per cent over the previous year's production was recorded. It is found that within a short span of 14 years, BEL has been able to produce equipment and components worth more than Rs 60 crores. The foreign exchange saving has been considerable. The company has been following a policy of steady diversification in order to cover a wider field of electronic production. The import content of some of the equipment is as low as 15 per cent. The past performance of this unit points to an ever-increasing role in national construction activities.

Tourism in Mysore

M. D. MARIPUTTANNA

THE MYSORE state was one of the first to realise the importance of tourism as a cultural bridge between many countries. As in many other fields, so also in the field of tourism, the state government took timely measures to set up a suitable infrastructure to cope with the increaing flow of tourists in the state. The first step was to build well-equipped tourist bungalows at places of tourist interest such as Mangalore, Mercara, Aihole, Badami, Bijapur, Tungabadra, Bidar, Gulbarga, K.R. Sagar, Mahadeswarabetta and Devarayanadurga.

It is proposed to augument the boating facilities at the K.R. Sagar dam. It is also proposed to build a few log cabins on either side of the lake and construct a swimming pool. Two steam launches are already stationed at the Tungabadra dam. The Brindavan Gardens are being illuminated on all the days of the week.

Three courses for training guides were conducted by the state department of tourism to provide expert guidance to tourists. Tourist bureau and offices with trained personnel have been established at such places as Bangalore, Mysore, Mercara, Hassan, Bijapur, Panaji (Goa) and Margo for the benefit of tourists.

With an area more than 85,000 sq miles and a population of nearly 25 millions, Mysore state commands an important position in the Deccan Plateau. With an average of nearly 2,000 ft above sea-level the state enjoys salubrious climate during the major portion of the year. Some of the cities such as Bangalore are almost naturally "air conditioned" throughout the year.

The state has four game sanctuaries, one each at Bijapur in Mysore district, Nagerkole in Coorg district, Jagger Valley in Chickmagalur district and Dandeli in North Kanara district. Lovers of big game and shikar have great opportunities of watching game at close quarters. The lovers of birds can visit the only bird sanctuary in the state at Ranganathittu, near the island town of Srirangapatna. There are well-developed hill stations in the Nandi Hills and Kemmanns gundi, with their bracing climate and health-giving shrubs and trees which have medicinal qualities. There are the world famous water falls—Jog, Magod and Unchalli—which hold the spectator spell bound by their enthralling scenic beauty. There are also magnificent temples of Belur, Halebid and Somnathpur; rock-cut temples at Badami, groups of temples at Pattadakal and Aibble in Bijapur district.

It is estimated that last year, 25 crores of tourists spent Rs 11,000 crores all over the world. Of this, the number of tourists to India was estimated at 245,000. The foreign exchange earned by our country has been estimated at about Rs 35 crores. On a rough estimate Mysore gets one-tenth of the tourists coming to India. In relation to the tourists traffic in the world, our country draw, a small portion only.

Mysore state in particular is a "tourist paradise". In fact, if one looks at the Mysore complex, there is no other place in the world where within a radius of 100 miles a tourist can get whatever he wants—a hill station, a game sanctuary, palaces, historical monuments, temples with famous sculptures and an illuminated garden. With all these attractions, a tourist will not come to Mysore state or to any other part of the country unless the infrastructure, which means, accommodation, transport, roads, food and entertainment, is provided in keeping with international standards. This is a collosal task and has to be tackled with courage and confidence. The central and the state governments are offering many incentives. For, tourist traffic not only benefits the exchequer, it has an invigorating effect on the economy as well.

Film Production in Mysore

M. A. PARTHA SARATHY

A FEW years ago, it was not an unusual sight to see a Kannada film product at a Madras studio making sheepish enquiries about costs of hiring a studio and technicians. This producer was often treated as a 'poor cousin' who could not afford lavish productions because of the limitations of the Kannada market. He often settled for second-hand sets after they were used by a Madras or Bombay producer, and the cheapest crew and equipment.

Only Remakes

Naturally, the quality of films he produced was poor, and these films were almost invariably re-makes of successful Tamil or Hindi films which the producer unbashedly copied.

In the matter of payment, the Kannada film star was considered pathetically low paid in comparison to a Tamil or Hindi star. Some Kannada stars were not even classified 'Stars' in Madras and Bombay.

The state of affairs I have described above came up for quite a change about five years ago. I do not think I would like to venture to mention the reasons why, but only say the Kannada film-goer became conscious of the Kannada film. Bangalore which was once considered the most cosmopolitan film city in India where films of all languages, English, Hindi, Tamil, Telugu, Bengali, Malayalam, etc., received almost equal patronage, became Kannada film conscious. Side by side, the oft-mentioned promise that the state government would take steps to encourage film production, began to take shape. Although government film studio project fell through, a scheme for subsidising films took shape. This scheme which is today in operation guarantees an amount of rupees 50,000 to anyone producing a film substantially in the State of Mysore. However it is irrespective of the quality of the film, and whether the producer who made it is worthy of the subsidy. As against 21 films produced in 1965, there were 44 films in 1969.

While the subsidy has indeed generated a lot of film production in the state, one begins to wonder if the whole object of the subsidy has been achieved. The next useful step would appear to be, not to cut off subsidy because there has now been enough volume of production, but to convert its operation into an aid or weapon which improves the quality of films produced in the state and encourages the development of new talent. This last mentioned thought, namely, development of new talent is one of the surest ways of encouraging picture going while refining film techniques.

I recall that when I discussed the idea of offering subsidy in this state a few years ago with a responsible member of this government who sought my views, I had strongly indicated that there must be a way in which new talent is given preference while subsidies are offered. I am sorry this has been ignored.

One of the obstacles mentioned on behalf of the government while the matter of better implementation of a subisidy scheme is mentioned, is the difficulty that it will face in setting up an appropriate body to go into the merits of a film and its producer. Now, this is not as hard as it sounds. The intention here is not to make a few government officers, who are unaware of story-writing and film technique, sit in judgment as experts over the quality of a script or its marketability. The state should only create an authority which, with the help of professional advisers, ensures that (*a*) a script submitted can be made into a film, (*b*) that the person making it is qualified to produce it, (*c*) that he has qualified personnel organised for the purpose, (*d*) that preference is given to new blood, which would otherwise be unable to finance the making of a film, and, last but not least, (*e*) that the subsidy is granted from the inception of the production and not when it is a foregone conclusion, in appropriate 'dosages' of funds, throughout the making of the picture, ensuring thus that the money is utilised as intended.

The last mentioned suggestion, namely, that the subsidy should be given in 'dosages' will eliminate a grave error that exists in the current subsidy scheme. More often than not, this subsidy in Mysore state is being used by professional old timers who announce a picture, take a loan against a pledge of the subsidy, and finish off a hash of a picture as rapidly as they can. Hardly has the ink dried upon the censo certificate, they run to the officer in charge of the payment of subsidy, collect it and consider the 50,000 rupees only as an added dividend. Surely, this is not the intention of the subsidy. The subsidy scheme has suffered largely in account of inadequate attention to application, but the answer to this is not to eradicate the scheme, but to improve it for at this point, another outcome of the subsidy is worthy of note. Unless a more realistic approach is made to the concept of subsidy to the Mysore film industry, it would suffer the same temporary popularity leading to decay and destitution that some of the other regional film centres have suffered.

Special Appeal

Mysore state has some unique added reasons for establishing a living film industry. One is its special attraction to international film producing companies. Having had the privilege of associating with some of these units, I am aware of how favourably the scenic quality, weather,—and frankly, lack of prohibition,—impresses them. It will be good to create a quality film producing base here that can cater to these international companies which, while they earn us foreign exchange, will expand the horizons of Mysore's film makers. Needless to add, producers of Madras and Bombay are also likely to come more frequently to Mysore for their location filming. Almost all of them now bring their crews and equipment because they are uncertain of indigenous availability. If Mysore can equip itself, these producers will be glad to save transportation cost and give opportunities to Mysore's technicians. With a little realistic thinking on the part of government and the film industry, Mysore state has a good film "innings" ahead.

ECONOMY OF MYSORE : A PERSPECTIVE

Economic Indicators	Unit	1956-57	1968-69	Percentage increase
General				
Population (estimated)	No. in '000	21,485	27,195	26.60
State income	Rs crores	495.17	1,360.29	174.71
Per capita income	Rs	230.47	500.20	117.03
Agriculture				
Foodgrains production	'000 Tonnes	3,330.79	4,694.39	40.94
Sugarcane	'000 Tonnes	3,445.58	9,144.52	165.39
Cotton	Bales of 180 Kg	3,952.38	4,160.82	5.27
Irrigation				
Net area irrigated	'000 Hectares	740.26	1,021.79**	83.03
Net irrigated area as a percentage of net sown area	Percentage	7.35	10.20**	—
Power				
Installed capacity	k.W.	1,79,200	7,74,025	331.94
Towns & villages electrified	No.	3,441	7,882	131.08
No. of pumpsets electrified	No.	9,392	91,725	876.63
Industrial Production				
Iron	'000 Tonnes	62.56	88.14	40.89
Steel	'000 Tonnes	72.36	194.64	168.99
Paper	'000 Tonnes	7.11	59.67	739.24
Cement	'000 Tonnes	558.00	999.00	79.03
Sugar	'000 Tonnes	48.50	151.66	212.70
Transport & Communications				
Total road length	Kms.	43,448	63,285	4.57
Post offices	No.	3,357	7,480***	122.52
Telegraph offices	No.	370	905***	144.59
Education				
Primary education (No. of schools)	No.	22,803	32,032	40.47
No. of high schools	No.	535	1,743	225.79
No. of colleges	No.	87	225	158.62
Health				
Hospitals & dispensaries	No.	776	938	20.88
Primary health centres	No.	203	453	123.15

**Figures relate to 1966-67
***Figures relate to 1967-68.

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PRODUCTION OF SELECTED INDUSTRIES

Industry	Unit	1956	1968	Percentage variation
Iron	Tonnes	62,560	88,138	40.9
Steel (finished)	"	34,834	54,056	55.2
Crude & semi-finished steel	"	37,529	1,40,579	274.6
Sugar**	"	48,495	1,51,662	212.7
Paper	"	7,105	59,667	739.8
Cement	"	5,58,000	9,98,757	79.0
Cotton cloth	'000 metres	79,865	76,927***	—3.7
Sulphuric acid	Tonnes	4,537.4@	16,393	261.3
Copper sulphate	"	1,560.7@	709	—54.3
Superphosphate	"	4,349.7@	34,438	691.1

**Relates to period from November-October.
***Figures relate to the year 1967.
@Relates to 1957.

The Mysore Electrical Industries

Twenty-five years of progress

STARTED IN A humble way as a private limited company back in 1945, the Mysore Electrical Industries Ltd, has registered a phenomenal growth during the past quarter of a century, acquiring the status of both a pioneer and a leader in the sphere of switchgear manufacture in India.

Its initial programme of manufacturing motor control gear and allied products of its own design proved such a success that the company rightly decided to go in for the manufacture of switchgear. Thus, the history of the switchgear industry in India is, in a sense, the history of the birth and progress of MEI (as it is popularly known both here and abroad).

As one looks back, the ushering in of independence set the country on the road to progress — progress in all fields of national development and self-sufficiency—and MEI's part in this collosal endeavour can only be described as truly phenomenal.

Since testing facilities at that time were not available in the country, the only course of action open to MEI was to manufacture already-tested switchgear under licence. Accordingly, in 1946, MEI entered into a collaboration with Messrs J. G. Stateter & Co. of UK for the manufacture of L.T. oil circuit breakers to start with. Later on in 1961-62, under licence from Messrs Gardy of Geneva, products such as air circuit breakers and high rupturing capacity fuses were added on to its lines of manufacture.

During the same period, in collaboration with the renowned West German firm Messrs Starkstrom, MEI undertook manufacture of their famous DLS series of contractors, well-known for their unique design compact dimensions, easy assembly and maintenance. By 1964, nearly 30 different types of switch and motor control gear were being manufactured.

Space in the factory at Oakalipuram being insufficient for the increase in tempo of production, the second factory in Tumkur Road (near Yeshwantpur) was planned and built and occupied by 1962. The second factory was built on modern lines with an imposing administrative block.

The progress made in India during the first three five-year Plan periods in respect of power generation and transmission projects is an indirect indication of the switchgear industry in general and MEI in particular having played their parts by satisfactorily meeting the demands of the various Electricity Boards for equipment. MEI is, at present, so well equipped that if can cater to the specific and sophisticated needs of industries and projects, whatever their magnitude.

Progress of the Future

In keeping with the growing industrialisation of the country, MEI has had to keep pace with the latest technological developments obtaining in other parts of the world. MEI's future programme envisages the manufacture of the following:

(1) Air break contactors up to 6.6 kV and motor control centres utilising these.

(2) Air break contactors for ratings up to 400 amps for L.T.

(3) 600 MVA minimum oil content 11 kV 1250 amps circuit breakers.

(4) 800 amps drawout type LV air circuit breakers.

For the first three of the above items, MEI will be the only manufacturer in India. In addition MEI manufactures flame-proof and explosion-proof switchgear for mines and other hazardous industries, D.C. circuit breakers and contactors and automatic slip-ring motor starters.

Expecting a revolution to take place in the field of electronics in the country in the immediate future MEI, has already ventured into this new field by establishing an electronics division. A fairly well-equipped laboratory has already been built where development work on several new products is going on at a rapid pace. A time-delay relay and a phase-failure detector for use on three-phase systems are expected to go into full-scale production by the end of the year.

The time-relay is extremely compact, accurate and temperature stable, and is available in three ranges up to 120 seconds. The phase failure dectector operates on the current principle (presence of current is sensed by C.T.'s and amplified by transistorised modules) and is thus 100% reliable, contrary to the voltage-operated detectors currently available in the market and which fail to operate under certain fairly common condition.

Currently, elaborate plans are being worked out to establish yet another division viz. a relay division which is expected to begin operating sometime next year. This division will fulfil a long-felt want for an auxiliary relay of required standards to be manufactured in large quantities to meet the needs of manufacturers in the country.

The Mysore Electrical Industries Limited takes pride in numbering amongst its customers all the state Electricity Boards, Railways, public Sector undertakings like Hindustan Machine Tools, Heavy Electricals, Bharat Electronics, Atomic Energy Establishment, Heavy Engineering Corporation, Indian Rare Earths, National Coal Development Corporation and innumerable supply undertakings and private sector enterprises.

Bharat Earth Movers Ltd, Bangalore

This unit has made a significant contribution to the economy of our country. A collaboration agreement was signed by Messrs LeTourneau Westinghouse company of the USA and assigned to M/s Hindustan Aircraft Ltd in early 60s. Later on a separate company came into being in the name of BEM Ltd. in January 1965 to get on with this commitment. With the formation of BEM as an independent, autonomous set-up from January 1965, this company took over the rail coach division from Hindustan Aircraft Ltd. This was found desirable as many common techniques were involved in the manufacture of rail coaches and earth-moving equipment. Integral coaches are being manufactured in this division and the present capacity is put around 270 coaches per annum. This capacity is being stepped up to reach 400 coaches annually. The Railways have already been supplied 3,800 coaches.

Canara Bank's Assistance for Industrial Development

CANARA BANK has all along been a partner in the progress and industrial development of Mysore state. It has assisted in this development by providing a framework of banking and credit facilities over wide areas, mobilising savings from all sections of the population and channelling them into lines most conducive to the growth of the state's economy.

The role that Canara Bank has played in assisting industrialisation or generally the development of productive enterprise in the state took the following three directions(a) Assisting new entrepreneurs who have feasible schemes to set up industry. Assistance has been in the form of term loans or deferred payment guarantees for acquisition of fixed assets or by subscribing to debentures or underwriting issues or by way of loans, overdrafts, cash credit and discounting limits for working capital purposes. (b) Direct financing in the above forms of expansion, renovation and modernisation schemes of existing industries. (c) Encouraging technically qualified young persons to take to productive enterprise and self-employment.

Industries financed by the bank in the state cover various categories such as iron and steel, cotton textiles mills, paper mills, cement factories, engineering and electrical goods, automobile ancillaries, oil mills, glass factories, plywoods, plastics, flour milling, chemicals and pharmaceuticals, breweries, printing presses, hotels and restaurants, cinemas and agro-industries.

Canara Bank had been financing small-scale industries in the state even prior to 1957, that is, long before "social contol" scheme made it obligatory for commercial banks to lend increased support to this sector. The first step towards liberalising lending terms to the sector was taken up around 1964, when the margin stipulated for term loan against machinery was reduced to 30 per cent. Since then Canara Bank has been in the forefront in progressively liberalising credit facilities to this sector. To technically qualified persons with feasible schemes, loans up to one lakh of rupees are considered even with "NIL" margin. To ensure speedier assistance, branch managers are vested with discretionary powers to make advances in certain exigencies without prior reference to head office.

To highlight the vast field that has already been covered in manufacturing various items indigenously, the bank took the unique step of organising exhibition of products manufactured by its constituents from small-scale sector in Bangalore and some other centres.

The number of small-scale units financed by Canara Bank in Mysore state in the year ended June, 1970, rose from 702 to 1192 with loans and limits amounting to Rs. 6.79 crores. It was instrumental in increasing gainful employment contributing to the prosperity of the state.

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